FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,042 — Friday September 26 1986 — D 8523 B

Anxiety ahead of London's Big Bang, Page 16

World news

Reagan to veto sanctions bill

US President Ronald Reagan will veto a tough congressional bill of economic sanctions against South Africa today, White House spokesman Larry Speakes said.

The White House is expected to announce a package of new US measures against Pretoria in a bid to avert a congressional move to override the presidential veto.

Senate Republican leader Robert Dole said, however, "it would be hard to sustain a veto," meaning that Congress might override the presidential rejection.

S. African news bar

South Africa announced new restrictions on the flow of unrest reports to local and foreign media already struggling to cover racial strife under the three-month-old state of emergency. Page 18.

Trial for Zakharov

US Attorney General Edwin Meese, noting negotiations were continuing between the US and Soviet Union over the Daniloff affair, said the US planned to proceed with the spy trial of Gennady Zakharov, a Soviet United Nations employee.

Israeli raids

Israel bombed a Palestinian guerrilla base for a second time since moving reinforcements into Lebanon this week. It said the raids were aimed at preventing a build-up of Palestine Liberation Organisation forces in the area.

Soviet Jews threat

The head of the Arab League said mass emigration of Soviet Jews to the Israeli-occupied West Bank and Gaza could block the way to Middle East peace.

US group cleared

A Hamburg justice official said a US aircraft company named in an alleged attempt by West German businessmen to ship more than $1bn in arms and equipment to the Iran-Iraq combat area was not involved in the deal.

Nuclear pact

Delegates to the International Atomic Energy Agency conference in Vienna expect at least 33 states to sign conventions on early warning and mutual help.

Paris bomb blame

French Prime Minister Jacques Chirac has blamed the recent bombing wave on the group led by Georges Ibrahim Abdallah who has been in jail in France since 1984. He did not believe the group had the backing of a state, an implied reference to Syria. Page 3

Shostakovich praised

Composer Dmitry Shostakovich, who died in 1975, was praised by the Soviet newspaper Pravda, which under Stalin denounced his music as primitive and vulgar.

Soviet skills reward

The salaries of skilled Soviet workers such as engineers, builders and technicians are being raised by 30 per cent to 40 per cent as part of a wage reform to stimulate incentive.

Cuba expels two

Cuba has expelled the Havana correspondents of Reuters and Agence France Presse news service for "violating the most elemental norms of professional ethics."

Greens plan strategy

West Germany's anti-nuclear Greens party meets at the weekend in the Bavarian city of Nuremberg to map out a strategy for elections next January. Also on the agenda are women's rights, the dangers of nuclear energy and the plight of Third World refugees seeking asylum in West Germany.

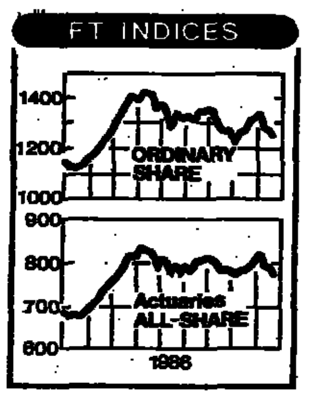
Business summary

Instinet to join London exchange

INSTINET, US automated share trading network which has links with Reuters of the UK, announced it is to become a member of the London Stock Exchange when the latter's trading practices alter on October 27. Page 35

WALL STREET: Share prices tumbled, ending a three-day rally and leaving the Dow Jones industrial average down 34.73 at 1,768.56 at the close – only 10 points above the low level reached in a steep sell-off two weeks ago. Pessimism was reflected in stock index futures, which traded well below the value of underlying stocks. Page 38

LONDON: Sterling's continued weakness gave rise to fresh anxiety in financial markets. News that the Bundesbank was leaving its credit policies unchanged turned the retreat into a rout. The FT-SE 100 index fell 27.5 to 1,575.9 and the FT Ordinary index 22.2 to 1,242.3 Page 38



TOKYO: Shares closed higher for the fifth consecutive trading day after some early fluctuations. The Nikkei market average ended 32.50 higher at 17,988.35. Page 38

STERLING closed in New York at $1.4345. In London the sterling index fell 0.7 to record low of 68.7, to seven-month low of $1.4350 ($1.4465) and worst-ever Y221.75 (Y223.50). It also slid to DM 2.9375 (DM 2.9625), SFr 2.3825 (SFr 2.3975) and FFr 9.6225 (FFr 9.7025). Page 31

DOLLAR closed in New York at DM 2.0455, SFr 1.6575, FFr 6.6995 and Y154.60. It closed unchanged in London at DM 2.0475 and Y154.50, advanced to SFr 1.66 (SFr 1.658) but slipped to FFr 6.7050 (FFr 6.7075). Its index rose 0.2 to 110.9 Page 31

GOLD fell $3¾ in London to $430¼. In New York the Comex December settlement was $438.80. Page 30

BANK OF ENGLAND said that the pause in world growth was virtually over, and that authorities in major countries were expecting "sharply faster growth in the next 12 to 18 months." Quarterly Bulletin details, Page 8

MAJOR US banks are shifting an increasing amount of international business off their balance sheets by arranging note issuance facilities for their customers and relying less on traditional medium-term credit facilities. Page 19

ITALY'S Consob stockmarket authority has asked the Angelli family's Ifil holding company to clarify details of a $1.1bn fund-raising operation designed to finance the Agnellis' purchase of a 7.5 per cent stake of Fiat ordinary shares from Libya. Page 17

VALEO, France's leading car components group, announced a sharp turnround with a first half net consolidated profit of FFr 140m ($20.9m). Page 17

NEC, leading Japanese semiconductor products group, will "consider seriously" the possibility of link-up with Honeywell of the US and Bull of France. Page 16

LORIMAR Telepictures, US television production company, is launching a public share offer of $275m. Page 17

£ slides again as Bundesbank holds fast to key rates

BY JONATHAN CARR IN FRANKFURT AND ROBIN PAULEY IN LONDON

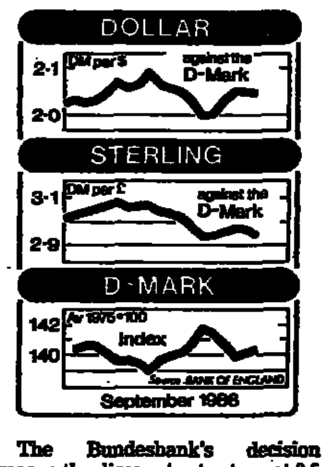
STERLING fell to record lows on foreign exchange markets yesterday after West Germany's Bundesbank decided not to cut its key interest rates.

British authorities made clear last night that they were keeping a close watch on the slide in sterling, which is increasing upward pressure on UK market interest rates.

Although the decision by the Bundesbank's policymaking council was widely expected and had hardly any effect on the D-Mark or dollar in Frankfurt, it was enough to trigger the nervous London foreign exchange markets into a further bout of selling sterling and buying D-Marks. The Bank of England intervened for the third successive day but failed to stop the sharp slide of sterling in London.

However, the West Germans are believed to be ready to consider interest rate cuts as part of a package of measures to be discussed by the Group of Five leading industrialised nations whose meetings begin in Washington today.

Such cuts could be the West German contribution to an agreement to stabilise currencies which would involve coordinated interventions to help to stabilise the dollar. Before the Germans would cut their interest rates, however, a large degree of US participation in the joint arrangements would have to be accepted.



The Bundesbank's decision means the discount rate stays at 3.5 per cent, its level since March, and the Lombard rate at 5.5 per cent, unchanged since August 1985.

The London markets had been quiet all morning but slipped into gloom during the afternoon, after the Bundesbank statement. Interest rates firmed, giving rise to renewed fears that UK base rates might have to be increased if sterling falls much lower, although the British Government is most anxious not to have to raise rates with the Conservative Party Conference due to open on October 6.

The sterling exchange rate closed at a new low of 68.7, having opened at 69.4. After opening at DM 2.9641 and staying fairly steady until lunch time sterling slipped under DM 2.96 and then lost 2 pfennigs in two hectic hours to close at DM 2.9375. Sterling also fell against the weak dollar, losing 1½ cents on the day to close at $1.4350.

The other markets caught the unhappy mood. Gilts had a poor day, gold fell $3¾ and many equities fell back taking the FT-SE 100 share index down 27.5 to 1,575.9. The markets have not been helped by lower oil prices and the unexpectedly poor British trade figures this week.

The West Germans, by contrast, yesterday announced a trade surplus of DM 8.9bn in August which, although down from July's DM 10.9bn, is sure to be used by the US to support its arguments at the G-5 meeting that the Germans should ease monetary policy to boost economic growth and raise imports.

But the Germans do not believe that a reduction – probably of ½ percentage point – in key interest rates will do much to encourage domestic growth, which is in any case strong after a flaccid first quarter.

But it is recognised that a cut would give other major countries more scope to reduce their rates,

Continued on Page 16

Editorial comment, Page 14; Money markets, Page 20

France and UK to study airborne warning options

BY DAVID BUCHAN, DEFENCE CORRESPONDENT, IN LONDON

BRITAIN and France will jointly evaluate the relative merits of the British-built Nimrod and the Boeing E-3 Awacs aircraft as an airborne early warning (AEW) system. This evaluation will be made with a view to deciding by the end of the year on a possible common purchase by the two governments.

The UK Ministry of Defence announced yesterday that only two of the original seven contenders – the Nimrod and the Awacs – to supply Britain with a long overdue AEW system had been chosen for a "run-off" competition in the remaining months of this year.

Draft contracts will be negotiated with GEC of the UK, which makes the Nimrod Radar, and with Boeing to get "best and final offers" from the two companies by early November.

At the same time, a team of French officials will join UK defence procurement officials in London, first to try to harmonise the two countries' AEW requirements, and then to see if the two governments could make the same choice.

Lord Trefgarne, Minister of State for Defence procurement, said he still hoped Britain could buy the AEW Nimrod. Its development has cost around £950m ($1.3bn) but is four years so far behind its original schedule. But he said it had to be recognised that, at least before GEC made its recent radar improvements, Awacs was further down the road in development.

None of the seven contenders fully met the RAF's requirements in the first round of the competition, Lord Tregarne said. "Only Nimrod and Awacs have the potential to do so," he stressed. The Awacs was in service in the US and much of Nato, but not in precisely the form wanted by the RAF.

The two finalists in the competition for a British AEW were widely predicted – the Nimrod because its summary cancellation would otherwise hit British industrial prestige and write off nearly £1bn expenditure, and the Awacs because it has long been championed by the RAF as the best AEW system in terms of sophistication as well as cost.

The late French rush of interest to exploit the competition for a British AEW as a possible solution to France's own growing AEW needs has been unexpected. The British short list of two is understood to coincide with French preferences. France tested out Awacs aircraft a couple of years ago, and has asked GEC for a demonstration of the Nimrod system in French airspace this autumn.

A joint Anglo-French purchase would drive down the unit cost of an AEW system. If France were to opt for the GEC radar, it would almost certainly have to put it in a different airframe probably French, because production of the Nimrod, a derivative of the old Comet, has ceased in the UK.

But Air Marshal Sir David Harcourt-Smith, comptroller of air systems at the UK defence ministry, yesterday, seemed to hold out the

Continued on Page 16

Rover shake-up as losses soar

BY KENNETH GOODING IN LONDON

MR Harold Musgrove, chairman and chief executive of Britain's Austin Rover, and at least two other senior executives are to leave the state-owned cars company in a wide-ranging management reorganisation.

Mr Graham Day, the new chairman and chief executive of the parent Rover Group, also revealed yesterday that the group, formerly called BL, suffered a net loss of £204.5m ($300m) in the first half of this year compared with a loss of £44.8m for the corresponding period in 1985.

Mr Musgrove, who joined the group 40 years ago as an apprentice, is to retire at the age of 56. He denied yesterday that he had been pushed out, but his position has looked insecure since Mr Day, the personal choice of Mrs Margaret Thatcher, the Prime Minister, was appointed in May with executive responsibility to replace the non-executive chairman, Sir Austin Bide.

Mr John Smith, the opposition Labour Party's trade and industry spokesman, said last night: "I very much regret the departure of Harold Musgrove, who was committed to a successful future for Austin Rover cars. I fear he is paying the penalty for believing in the British motor industry and for being critical of government policy towards it."

Mr John Allen, a Birmingham (Midlands) district secretary for the Amalgamated Engineering Union, said: "We are very sad he has gone. We are very apprehensive about Mr Day and his approach to the company and its problems."

Mr Day refused to comment about Mr Musgrove's contribution to the business, or about any of the people who are leaving Austin Rover.

These include two of Mr Musgrove's closest colleagues at Austin Rover: Mr Mark Snowdon, 42, managing director for product development; and Mr Peter Regnier, 41, the finance director.

There is also speculation about the future of Mr Trevor Taylor, 49, Austin Rover's director of sales and marketing, who could not be contacted by Rover yesterday because he is on holiday.

Mr Musgrove's job is to be split. Mr Day will become chairman of Austin Rover, with Mr Les Wharton, 57, currently managing director of Leyland Trucks, taking over as managing director.

Mr Day said: "We are seeking to put more commercial punch into Austin Rover." The product development programme was being looked at again "from the ground up."

Editorial comment, Page 14

French to send troops to Togo

By Stephanie Gray in London

FRANCE is sending air and ground forces to Togo after fresh shooting was reported in the capital, Lomé, yesterday. The fighting came 48 hours after an abortive attack on the home of President Gnassingbe Eyadema, who has ruled the West African country for 19 years.

This is the second time this year that France has intervened militarily in an African state. In February, French jets bombed a Libyan air base in northern Chad and dispatched 200 troops to the capital N'Djamena in response to renewed Libyan incursions.

The French Defence Ministry said yesterday that air and ground military units would be sent to the formerly French-administered territory as quickly as possible following a request from President Eyadema under a secret 1963 defence agreement between the two countries.

The ministry declined to give details of the military assistance.

Several hours earlier, Paris issued a severe warning against any attempt at destabilisation in Togo.

Lomé residents said shooting began again at 9.30am yesterday in various parts of the city as security forces aparently sought out the remnants of a 50-strong force, said to have infiltrated from Ghana, which military officials said had tried to kill or capture the Togolese leader on Tuesday night.

Thirteen people, including a West German businessman, were killed in the fighting.

Jet fighters flew over the city yesterday and tanks took up positions at strategic points, the residents said.

A spokesman for Air Afrique in Abidjan said all flights to Lomé had been cancelled following the closure of the airport.

The country's borders with Ghana and Benin have been closed and a curfew imposed between 7pm and 6am.

On Wednesday night cross-border shooting was reported by Ghana Radio, which said Togolese security personnel had been firing indiscriminately across the frontier. Lomé is less than a mile from the Ghana border.

The Ghana Government denied that the attackers had come from its territory and told Togo's envoy in Accra that it would not accept the use of any internal uprising as a basis for making false accusations against a neighbour.

Both countries have frequently traded accusations of harbouring each other's political opponents and have held periodic meetings to improve strained relations.

EEC agrees to 'target' terror groups

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

THE 12 MEMBERS of the European Community yesterday agreed to step up their fight against terrorism through a new scheme of "targeting" the major leaders and organisers of terrorist groups and a speedier communications network between European police forces.

Mr Douglas Hurd, the UK Home Secretary who presided over the emergency meeting in London of the interior and justice ministers of the Community – known as the Trevi Group – said in an agreed statement that the new measures were aimed at "harrying and disrupting" terrorist groups.

New arrangements would be set up within the Trevi Group for "regular up-to-date assessments of terrorist threats" and to target terrorists' movements, supplies of money, arms and equipment.

Mr Hurd said that the aim of the targeting procedure was to pick from the mass of information gleaned by the police and security services "a select number of particularly dangerous people."

Terrorists were not always individuals or small groups operating only within one country. They were increasingly members of organisations which operated across national frontiers and had access to substantial sums of money, arms, equipment, technical knowledge and training, the joint statement said.

The key to discovering the vital links between terrorist operations lay in the fullest possible sharing and joint analysis of the information available to all the member-countries.

"We must pool more effectively our knowledge of who they are, where they are and what they are planning," the statement said.

The ministers also agreed on a programme of work aimed at excluding terrorists from the Community, including an examination of visa procedures and more effective extradition procedures "so that terrorists cannot take advantage of legal loopholes to avoid justice."

Admitting that existing British legislation on extradition was an obstacle to more effective anti-terrorist policies, Mr Hurd told his colleagues of the British Government's intention to table proposals for facilitating extradition from the UK.

Mr Hurd did not, however, commit himself to any changes in visa requirements, such as France had introduced. "We have to see to what extent stricter visa requirements are a deterrent to terrorism."

Mr Hurd said that present diplomatic immunity procedures were one of the subjects which the ministers would review at their forthcoming meetings in October and early December.

Chirac lays blame for bombings, Page 3; Analysis, Page 4

Elf shares offered at 10% discount

BY DAVID MARSH IN PARIS

THE FRENCH Government is selling 11 per cent of its stake in Elf Aquitaine, the state oil group, as part of an overall capital market package raising an immediate FFr 4.6bn ($686m) for the state and the company.

The operation, which amounts to the first step in the right wing Government's ambitious privatisation programme, will leave the state with slightly more than 50 per cent of Elf's capital against 66.8 per cent at present.

The share sale, likely to set a precedent for further denationalisation deals, may well raise some political controversy in France. Partly because of uncertainties over the oil price, the share offer price has been set at about 10 per cent below current stock market levels, which should lead to heavy speculative demand when the offer opens this morning.

Bankers managing the share placement, led by Banque Nationale de Paris and Paribas, last night defended the discount, pointing out that it was similar to those on recent large international placements for Fiat and Daimler-Benz. They also said the Government wanted an attractive price to make sure the offer would succeed.

Parallel to the offer of 11 per cent of Elf shares worth FFr 3.3bn by the state holding company Erap, Elf is raising $200m through a bond issue on the international capital markets.

The bond issue, to be made largely on European markets outside

Continued on Page 16

Markets, Page 38

CONTENTS

US aircraft maker cleared of part in Gulf war arms deal

BY LESLIE COLITT IN BERLIN

A SENIOR justice official in Hamburg said yesterday that the US aircraft company named in an alleged attempt by West German businessmen to ship illegally more than DM 2bn (£676m) in arms and equipment to the Iran-Iraq combat area, was not involved in the deal.

Mr Peter Beck, a senior public prosecutor, said the Bell-Textron company "with certainty" had nothing to do with an alleged attempt by the businessmen to obtain $150m (£103m) worth of Bell's Cobra combat helicopters for delivery to an unspecified Middle Eastern country.

He said it was also not involved in another case involving alleged attempts to deliver 30 Cobras to Iran via Switzerland.

Mr Beck said the clarification was necessary as the "wrong impression" may have been given by an earlier statement issued by the Hamburg police.

Hamburg officials on Wednesday searched the offices and homes of five Hamburg businessmen suspected of involvement in the arms deal and confiscated papers. The businessmen, however, were not taken into custody.

In addition to helicopters, the men were said to have planned illegally to purchase, among other items 100 jet engines for the Soviet Mig 23 fighter bomber, 900 anti-tank missiles, 1,500 gun barrels, 1,000 grenade launchers and 30,000 grenades, about 1,000 machine guns as well as 10m rounds of ammunition and an undetermined number of tanks and rockets. The value of the deal was put as DM 900m.

A spokesman for the Hamburg police said yesterday it was suspected that the Mig engines could have been obtainable from supplies delivered to third countries and then resold to one of the combatants in the Iran-Iraq conflict.

Mr Beck stressed that none of the weapons and equipment the businessmen had sought to obtain was lying around waiting for delivery by any manufacturer.

The authorities in Hamburg since last April have investigated nine persons suspected of wanting to buy the 30 Cobras for Iran as well as 5,000 Tow anti-tank missiles, 250 sidewinder rockets, 30 M48 tanks as well as tank engines. Howitzers and flame throwers, which allegedly would be bought in Belgium, Italy or the UK for sale to Iran through a Swiss intermediary.

Leasing to be allowed in Greece for the first time

BY ANDRIANA IERODIACONOU IN ATHENS

EQUIPMENT LEASING is to be allowed in Greece for the first time under a framework bill tabled in Parliament yesterday by the Economy Ministry.

Mh Theodore Karatzas, the Ministry Secretary General, said the bill was designed to modernise Greece's financial system and supplement existing investment incentives for small- and medium-sized businesses.

The bill provides for the operation in Greece of specialised leasing companies, both Greek and foreign, under a licence issued by the central bank, with the ability to lease business equipment and machinery for a minimum period of three years.

At the end of the three years, the lessee will have the option to buy the equipment or renew the leasing agreement for an unspecified period.

The bill also allows lease-back transactions, except deals involving transport vehicles, will be exempt from taxes and duties other than income tax and VAT.

To qualify for the central bank's licence, leasing companies must meet the existing capital requirement for banking enterprises in Greece. The requirement is reduced by 50 per cent if the leasing company is a subsidiary of a Greek bank, or a foreign bank already established in Greece.

Foreign bankers in Athens yesterday welcomed the bill as a step towards deregulating the financial market.

German Greens face grim political reality

BY PETER BRUCE IN BONN

THE GREENS, the radical West German environmentalists, try to be grim about most things. They will be grim today as they gather in Nuremburg for a three-day pre-election convention, but this time the mood will be entirely appropriate. The Greens face extinction, temporarily at least, as a parliamentary force in Bonn.

The party won 5.6 per cent of the vote in the last general election in 1983, only just scraping over the 5 per cent hurdle necessary to win seats in the Bundestag in Bonn. This time the fight promises to be much more bruising and the Greens suddenly have very few weapons to fight with.

The more traditional parties have handed out a string of political defeats to the Greens in Laender elections since 1983 and not even environmental disaster seems to help them anymore. After Chernobyl, with the entire country being fed a diet of reports about dangerous milk and irradiated turnips, they looked well set for the important Lower Saxony state election in June. They ended up with a miserable 7 per cent.

It makes it vital that the Nuremburg conference is an orderly, distinguished affair. Even though the agenda drips with the stuff of conflict, party leaders have made Herculean efforts to ensure that there is as little bickering as possible.

The leadership, though chiefly fundamentalist, wants the party to be able to go into the election and sell itself as a potential partner for the main opposition, the Social Democrats (SPD), should it be asked to form a government after the election in January. Much to the embarrassment of the SPD, delegates in Nuremburg are indeed expected to agree a policy which would commit them to supporting the SPD should it prove possible to be rid of Chancellor Helmut Kohl that way.

Nevertheless, the road to such a policy promises to be awkward. Motions range from ones promising the SPD unconditional support, from the realist camp, to others insisting on policy concessions from the SPD in return for Green votes in the Bundestag. The fact that the SPD never stops saying it wants nothing to do with the Greens is unlikely to deter the conference.

There is likely to be an effort made to avoid a damaging debate on abortion, which the Greens approve of but which has got them into trouble with the powerful Catholic Church.

Abortion on demand is a certain vote loser in West Germany. The other parties are bound to batter the Greens with the issue.

Mr Kohl has a similar difficulty with his commitment to nuclear energy. In fact, he might have shown the Greens how best to deal with such crises of conscience yesterday when he loudly reaffirmed that commitment and promised the Government would continue to build more nuclear power plants.

The wage indexation battle has led to a climate of uncertainty on pay, reports **John Wyles**

Italian trade unions test the temperature

AFTER MORE than two years of relative calm, Italian employers, both public and private, are facing a strike-ridden October. Hospital doctors have given notice of a four day stoppage, chemical workers are planning eight hours of strikes and 1.5m metalworkers seem likely to down tools at some stage.

Is Italy, whose economy is comfortably outperforming the EEC average, about to reclaim its erstwhile notoriety as the epicentre of European industrial unrest? Is the image of stability and modernity so successfully assembled over the past three years about to be revealed as a sham? Are Italian trade unions preparing to confirm that militancy rises in step with economic recovery?

These questions, now being mulled over by politicians and industrialists, indicate what is at stake in national negotiations now underway covering some 10m private and public sector workers.

In the past, these encounters, once every three years, have been the ocasion for bitter and damaging disputes. The negotiating years between 1977 and 1983 cost the country six times more working days lost through strikes than in France, 364 times more than in West Germany and 2.7 times more than the UK.

The unions are confronted this year in the private sector by employers who are at the same time self-confident and reluctant to sacrifice a competitive international position painfully built up over the past three years. In the public sector they must deal with a Government whose vertiginous public sector deficit leaves little room for generosity to its employees.

DAYS LOST THROUGH INDUSTRIAL DISPUTES
Annually per 1,000 employees

	Italy	France	W. Germany	UK
1979	1,860	290	21.8	1,273
1980	1,110	130	5.7	521
1981	710	120	2.6	195
1982	1,250	180	0.7	247
1983	940	120	1.9	177
1984	586	120	280	1,247

Source: OECD

The threats of action may amount to little more than the application of a tactical shoulder to the wheel of negotiation. If tested, the unions may be found to be both weaker than at any time in the past 15 years and divided over means and objectives and by political loyalties.

Things would have to go badly wrong for there to be an industrial explosion this year, according to Mr Walter Galbusera, a senior official of UIL, whose membership of just over 1m makes it the smallest of the three Italian union confederations.

The unions are changing, he says, and his grouping recognises "the need to adjust the traditional view of a union as a vehicle for industrial conflict." With a heavy proportion of skilled and white collar workers among its membership, the UIL is finding, like other European unions have found, that it can no longer count on a "my union right or wrong" conviction to bring the rank and file out of their factories and offices.

UIL and the two larger groupings, the CIGL and the CISL, are having difficulty interpreting the aspirations of their members. Their joint platform of demands for the current negotiations seeks to maintain workers' purchasing power over the next three years, a reduction in working hours and the creation of new institutions and procedures for employee consultation.

But as Mr Bruno Trentin, a prominent CIGL leader, has acknowledged, it is not at all clear what the priorities are. All three groups, for example, say they want agreements which will create more jobs, but the UIL is openly disbelieving that shorter working hours will create anything except more overtime.

Across at the CISL, once the footsoldiers of the Christian Democrats but now a lay organisation according to its leaders, there is a grudging acceptance that unemployment and unprecedented prosperity among those in work has changed the negotiating context.

"The UIL is talking about a philosophical change of approach. We are not so sure about that but for the moment militancy does not pay as it used to," says Mr Angelo Gennari, head of the union's international department.

Neither Mr Galbusera nor Mr Gennari yet sound like men aware of any need to re-examine their unions' purposes and functions. With their rights to organise enshrined in the Italian constitution and enjoying a freedom from regulation which was once the happy lot of British organised labour, Italian unions see their difficulties as a temporary product of circumstances, not as an historic trend.

Jointly the three organisations claim a rate of union penetration on a par with that in Britain. But in reality a significant proportion of their 8m members are pensioners and the total Italian workforce is almost certainly larger than their estimated 17m.

Like other European unions, the Italians show no great capacity for recruitment among new entrants into the labour force, particularly in the services sector, to compensate for losses caused by unemployment.

As the industrial arm of the Communist Party, the CGIL needs more than Italy's apparently dwindling reserves of class identity and solidarity if it is to regain some of its former power and influence.

Deserted then by the CISL and the UIL, unable to mobilise its membership and derided as the puppet of the Communist Party, the CIGL has much ground to make up in the current negotiations.

But so have the other groups. The scala mobile battles left them in such disarray that they were in no position to bargain on the many contracts which expired a year or more ago but which are only now being negotiated.

Their members will be looking for negotiating prowess and progress. Until four years ago, the scala mobile was compensating industrial workers for 70 per cent of price rises; now it cushions little more than 40 per cent. The unions, therefore, must do the rest.

The key sector will be the metal workers. If they can make a breakthrough, then other groups, both public and private, will try to pour through the breach. Their claim was drafted after elaborate plant level consultaions, but uncertain union leadership is reflected by the unusual undertaking it has given that the membershsip will be similarly consulted before any call to an all-out strike.

The Confindustria, which has nailed together a highly disciplined employers' front across the various sectors, has priced the metalworkers' pay claim (including scala mobile rises) at 21.3 per cent by 1989. It is adamant that anything more than 13.6 per cent will damage competitiveness. Meanwhile, new consultation machinery is out because it limits "management's right to manage."

Some think that the major sectoral agreement will be sewn up by Christmas with little blood spilt. Others are not so sure. There is just a chance that one side or the other — more likely the employers — may be tempted to go for a breakdown just to see how much militancy has drained out of Italy and its unions.

Stockholm issues radiation cookbook

By Sara Webb in Stockholm

COOKBOOKS for the future could have a special section on the treatment and preparation of radioactive food, if instructions issued by the Swedish Government food agency are to be taken seriously.

Scientists here say that the way to reduce radioactivity levels in food is to soak portions in brine, and cut them into tiny pieces before cooking. This lowers the caesium level by as much as 70 per cent in meat and mushrooms.

Sweden was the first country in Europe to detect above-average radiation levels in the environment after the nuclear disaster at Chernobyl.

Parts of central and eastern Sweden were badly hit, with high levels of caesium 137 detected in milk, vegetables, wild berries, fish from the inland lakes, elk (which are hunted in the autumn) and reindeer—the staple food and source of income for the Lapps.

● The Swedish economy matched expectations for the first half-year with a modest growth in gross national product of 2 per cent compared with the corresponding period last year, according to the Central Office of Statistics (SCB).

The revised national budget included the official forecast for the whole of 1986 that GNP would grow by about 2 per cent.

Figures for industrial investment were disappointing with the latest report indicating a 5.5 per cent fall in investment in plants and machinery.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Chirac blames Paris bombings on Abdallah terror group

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, has blamed the recent wave of bombings in Paris on the terrorist group led by Mr Georges Ibrahim Abdallah who has been in jail in France since 1984. He added that he did not believe they had the backing of a state—an implied reference to Syria.

The Prime Minister's remarks in New York at a press conference following his speech to the General Assembly are the first time that the Government has indicated who it believed was behind the attacks that led to the death of nine people in Paris and over 150 injuries.

The Prime Minister said that "all the elements of information that we have . . . lead us to think that the group to which Georges Ibrahim Abdallah, the terrorist in prison in France, belongs, is responsible for these bombings." Mr Abdullah is the suspected leader of the Lebanese Armed Revolutionary Faction—nine of whose members have had their pictures distributed by the French police.

The police have insisted since early in the enquiry that the Lebanese Faction which is seeking Mr Abdallah's release and that of two other terrorists was responsible for the bombings.

But the Prime Minister's spokesman, Mr Denis Baudoin, implied a week ago that it was the work of a much larger number of terrorist groups linked to a variety of Middle East states.

Yesterday Mr Baudoin said that the Abdallah group might have drawn on logistical support from European terrorist groups or Middle East secret services. The Lebanese Armed Faction has had close relations with Syria.

Mr Chirac's remarks do not close the door on the enquiry or confirm that only the Abdallah group was involved. But with many of its members now located in the Lebanon, it does suggest that a continuing pause in terrorist action in France is possible.

At the same time Mr Michel Aurillac, the Minister for Co-operation and a close colleague of Mr Chirac, has been in Damascus where he had long talks with Syria's Vice President Abdel Halim Khaddam. Mr Aurillac is believed to have asked the Syrians to cut off any direct or indirect support they might be giving Mr Abdallah's group.

Laura Raun in Amsterdam and **David Housego** in Paris on candidates for top IMF job

Minister more honoured abroad than at home

MR HERMAN ONNO RUDING, the Dutch Finance Minister and a leading candidate to head the International Monetary Fund (IMF), may have felt like a prophet without honour in his own country more than once.

The Finance Minister has largely drawn up the economic austerity policies that have put the Netherland's ailing public finances back on a healthy footing. At home he has often faced causitc criticism for being callous, stubborn and arrogant in his battle to balance the budget.

But abroad the intelligent and articulate Mr Ruding, is viewed with great respect for his relentless efforts to make painful cuts in a bloated government sector. He has chaired the IMF's policy-making interim committee since January 1985 and has held a host of other leadership posts in international financial institutions over the years.

As finance ministers and central bankers from around the world begin gathering in Washington today for the biannual IMF meeting, Mr Ruding's name is likely to be heard in the corridors. In recent days he has emerged as a top contender to succeed Mr Jacques de Larosiere, who announced unexpectedly last weekend that he wanted to step down as director of the IMF at the end of this year.

On Wednesday another promising contender emerged when France said it would propose Mr Michel Camdessus, Bank of France governor, for the prestigious post now held by his fellow countryman. Mr Lamberto Dini, vice president of the Italian central bank, also is considered in the running. By tradition the director of the IMF is a European while the head of the World Bank is an American.

Mr Ruding, a 47-year-old economist who was born in Breda near the Belgian border, can boast of impeccable credentials. A former managing director of Amsterdam-Rotterdam Bank, he has served as an executive director of the IMF and since 1982 as finance minister in the Christian Democrat-Liberal Government of Mr Ruud Lubbers, the Prime Minister. Mr Ruding also has chaired the board of governors of the Asian Development Bank and the European Investment Bank and currently heads the Group of 10 industrialised countries.

Mr Ruding is tall, lean and calvinistically sober. He is reserved in temperament and elegant in style, occasionally revealing his dry wit while puffing away on his pipe behind big glasses. Usually given to very measured words, Mr Ruding has from time to time aroused great controversy with his blunt statements.

Commenting several years ago on high unemployment among the young, Mr Ruding blurted out that "a lot of Johnnies from Leiden would rather live near their Auntie Truus than go out and get a job." The remark prompted a law suit by the youth wing of the FNV labour federation who accused the Finance Minister of insensitivity toward the jobless but the suit was quickly dismissed.

Despite his criticism of current US policy, Mr Ruding is expected to find favour with the Americans as a candidate for the IMF post. His disciplined domestic polices are viewed as promising the same in IMF matters, allowing Mr Ruding to demand that debtor countries put their houses in order as the Netherlands has done.

Mr Ruding would also bring to the IMF directorship, however, the Dutchman's strong sense of fairness and equality. Pluralism and reasoned compromise are integral to Dutch society and these attributes could serve well in the sensitive negotiations with heavily indebted countries in the Third World.

Mr Ruding is said to get on well with developing countries and to have a good grasp of financial-aid projects, reportedly better than the former Dutch Minister of Development Aid. Apparently worried over his hard-line image, the ministers' curriculum vitae makes special note that he was a member of the board of Foster Parents Plan International between 1981 and 1982.

Not the least of Mr Ruding's attributes is a distinct stoicism.

Mr Ruding: blunt statements

He apparently mightily impressed his IMF colleagues at the Seoul meeting in October 1985 when he attended the gruelling discussions on the heels of an emergency appendectomy performed in China during an IMF trip. Business is buisiness, Mr Ruding would say.

● Mr Camdessus: warm-hearted enthusiasm

Banker sometimes at odds with his political master

MR MICHEL CAMDESSUS, the governor of the bank of France, who has been named by the French Government as its choice to be the next chairman of the IMF, has a long familiarity with international issues.

While head of the French Treasury from 1982, he chaired the meetings of the EEC monetary committee and also presided over the Paris club meetings on debt rescheduling.

A man of warm hearted enthusiasm, who can hold an audience spellbound with his vivid tours d'horizon of world monetary issues, has only been governor since 1984. He was then the Socialist appointment to run the bank through a potentially difficult electoral period.

His relationship has not always been easy with Mr Edouard Balladur, the current Minister of Finance. He was at odds with Mr Balladur's decision in April to devalue the franc.

Mr Balladur—normally a man of monastic discretion—conveyed in a recent newspaper interview that he would prefer a colder "conscience" at the Bank of France. Mr Camdessus's proposed nomination to the IMF would thus fit in with Government plans to make a change.

If he did get the appointment, it could well be in a swap with Mr Jacques de Larosiere who has made it known that he would like to come back to public life in France.

Now 53, Mr Camdessus ran the French Treasury at the difficult moment when the Socialists were carrying through their U-turn in policy. He has remained a strong advocate since of the priority of bringing down inflation in France.

He has also been more hesitant than perhaps Mr Balladur would have liked in recent months in lowering French interest rates. But with past memories of pressure on the franc Mr Camdessus keeps an eagle eye on maintaining the real interest rate difference with West Germany so as to avoid any unexpected flights out of the franc.

Brussels language loophole delays fining of Peugeot

BY OUR BRUSSELS STAFF

THE EUROPEAN Commission was yesterday set to take action again Peugeot-Talbot, the French car manufacturer, for breaking EEC competition rules by refusing to sell right-hand drive vehicles in Belgium.

However the announcement was withdrawn at the last minute—for the ostensible reason that it had yet to be translated into Greek.

The extraordinary about face concerned a decision to fine the company Ecu 4,000 (£2,760) for supplying incorrect information to a Commission investigation into its distribution network in the Netherlands, Belgium and Luxembourg.

In spite of the fact that Peugeot has already been informed of the decision, officials in the office of Mr Jacques Delors, the Commission president, insisted that the announcement be stopped until it had been translated into Greek, as well as the other eight official languages.

Although the fine is only a token one, the case is seen by Commission officials as a good example of Brussels defending consumers' interests—in this case British and Irish car buyers seeking to take advantage of lower prices for cars in Belgium.

In 1983, the Commission took action against Ford for refusing to supply right-hand drive vehicles to buyers in West Germany—on the grounds that the company was trying to prevent such cars being imported into the UK and thus undermining the high prices on the British market. That decision was upheld by the European Court.

Basque snap poll may be called

BY DAVID WHITE IN MADRID

MR JOSE ANTONIO ARDANZA, president of the autonomous Basque government, was set last night to call a snap election which threatens to add to political confusion in the troubled Spanish region.

The election, expected to take place in late November, 15 months before the end of the regional parliament's current term, has been forced on Mr Ardanza by an open split in the Basque Nationalist Party (PNV), the dominant force in Basque politics ever since democracy returned to Spain in 1977.

The Basque Government's decision, backed reluctantly by the PNV party leadership, interrupts a two-year period of detente with Spain's ruling Socialist Party, during which the PNV has governed with parliamentary support from the Socialists, the main opposition party in the region.

The defection of 11 of the PNV's 32 members in the regional Parliament made it impossible for the PNV government to continue in office with any semblance of independence.

The election is expected to produce a close race between the PNV the Socialists and the new splinter party known as simply the Basque Nationalists (NV), with no clear majority. Prospects for the new party — the result of a long period of infighting — increased on Wednesday when Mr Carlos Garaikoetxea, the previous Basque president and the region's single most vote-catching figure, confirmed he was joining the splinter movement.

Recent defections have cost the PNV its majority position in two of the three Basque provinces, pushing it back on its Vizcaya power base in and around Bilbao. Although this is the most populous part of the region, the three provinces have equal weight in the 75-seat parliament. Defectors include the speaker of the parliament, the mayor of the Basque capital of Vitoria and one of the PNV's six representatives in the Madrid Congress.

Ekofisk gas sales to be increased

By Fay Gjester in Oslo

FROM OCTOBER 1, Phillips Petroleum will increase gas exports to Europe from its Ekofisk field by 200m cu ft a day to over 1bn cu ft a day, the company announced yesterday.

Starting in August last year, the company had boosted gas injections by 200m to 350m cu ft a day, in an attempt to slow seabed subsidence caused by depletion of the field's three-kilometer-deep reservoir. The additional gas injected has apparently had no impact on the sinkage problem; however, and now the company plans to tackle this in other ways

EEC to pursue ties with individual Comecon states

BY QUENTIN PEEL IN BRUSSELS

THE EEC is pressing ahead with plans to reinforce its ties with the individual East European member states of Comecon, the Soviet-dominated state-trading bloc, while going slow on efforts to reach a deal with Comecon as a whole.

Three days of talks between officials from the European Commission in Brussels and from Comecon, which ended in Geneva on Wednesday, produced no tangible progress towards a joint declaration.

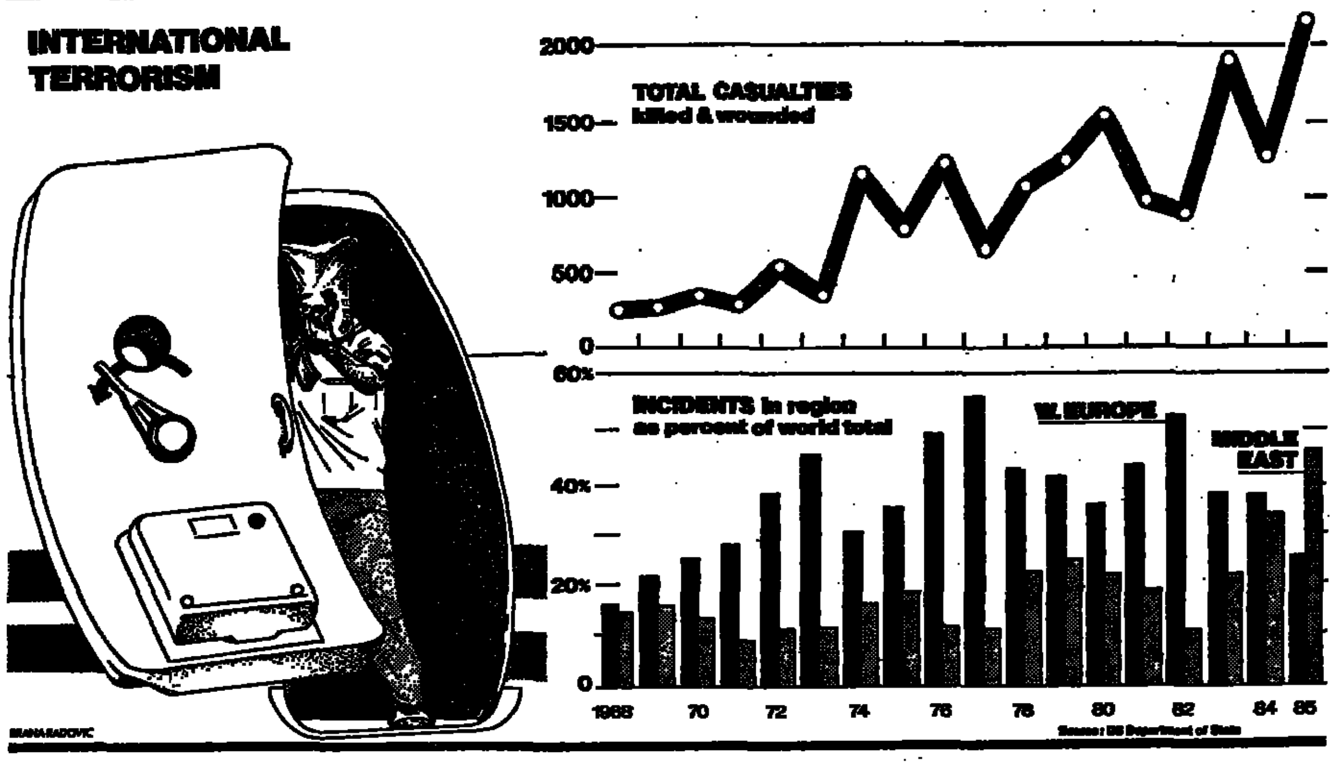
On the other hand, Mr Willy de Clercq, the EEC Commissioner responsible for external relations, went out of his way in the past 10 days to hold bilateral talks with foreign ministers or trade ministers from all the East European Comecon members, except East Germany and the Soviet Union itself.

Mr de Clercq's meetings took place in the wings of the Gatt trade negotiations in Punta del Este, and of the current UN General Assembly in New York, intended to underline the Community's desire to establish closer relations with each country individually.

He saw the foreign ministers of Czechoslovakia, Hungary and Poland, and the trade ministers of Romania and Bulgaria.

Middle East-related disputes are spreading as terrorists find allies in the West, writes **Richard Johns**

Europe struggles to stem the tide of violence



IT TOOK less than a fortnight of bloody mayhem in Karachi, Istanbul and Paris to shatter any illusion that the US raids on Tripoli and Benghazi last April had crippled Middle East terrorism.

The American action and subsequent measures taken by West European governments may have had something to do with last summer's lull in terrorist violence. But now the relative quiet has been broken and Western governments are facing the urgent question of how to halt the contagion of terror.

Concern prompted European Community governments to call the first emergency session yesterday of their counter-terrorism forum, the "Trevi Group," since its inception in 1976.

It will be a matter for sober reflection by the ministers that Western Europe accounted for over a quarter of terrorist incidents last year, part of a trend of steady escalation in such incidents over the past two decades. There has also been an alarming rise in Arab-originated terrorism in Europe, with statistics showing France and Greece, which have been the most accommodating towards terrorists, especially hard-hit.

Although statistics on terrorism vary widely, most independent experts regard the data base of the US State Department as the most reliable guide.

The State Department's figures, and others, show a startling rise in such activity since the modern era of terrorism began with a Palestinian campaign to resist the occupation of the West Bank and Gaza Strip by Israel in 1967.

The State Department's data base shows incidents last year at an all-time high of 812, up one-third on the previous year and nearly triple the number in 1968. The number of casualties, 877 dead and 1,300 wounded, was also at a record level, 70 per cent more than in 1984.

More than ever, the focus is on the Middle East which has been the main fount of terror over the past two decades. No less than 47 per cent of the incidents in 1982 recorded by the State Department occurred there, the highest proportion ever.

Equally striking is the extension of Middle East originated activity into West Europe where 75 such attacks last year left 65 dead (not including the Malta victims).

The IRA and Basque separatists movement ETA were responsible for 118 incidents over the same period.

In the 19 months up to mid-1986, 101 Middle East-related acts in Europe led to 74 deaths and 904 injuries. Half were directed at Arab or Palestinian targets.

As a place of exile and asylum for many Arabs and Iranians West Europe has inevitably been the focus for internecine conflict within these groups — especially the campaign of Abu Nidal, the "Father of Struggle," who has claimed more than 100 victims in his drive to assassinate Palestinian moderates, and Col Gadaffi's relentless pursuit of Libyan "stray dogs."

The proportion of Arab attacks against Arab targets in Western Europe has, however, declined as the emphasis has shifted to European and American targets.

Attacks against West European targets have risen from 13 per cent of the total in 1980-84 to 26 per cent in the 18 months up to mid 1986 and those directed against US interests from 5 to 10 per cent. The trend is even more worrying at a time when evidence points to the renewal of links with home grown neo-Marxist groups on the Continent. By the end of the 1970s these seemed to have been largely contained but they re-emerged forcibly two years ago with the aim of hitting at Nato targets and the "military-industrial" complex in West Europe.

In recent times the Palestinian problem has not only been the main cause of terrorism in the Middle East itself, but also internationally.

James Adams, in a soon to be published book on terrorism, dubs the PLO the "Godfather of international terrorism." Citing Western intelligence, he lists 28 meetings from 1981 to 1984 involving terrorist or resistance groups united in ideological and rhetorical war against "Imperialism and Zionism." The PLO, or one of its factions, attended all of them.

The frightening development in recent years has been the vigorous entry into the fray by militant Islam — embodied in the phantom "Islamic Jihad"— and the Shi'ites of Lebanon "politicised" by the 1982 Israeli invasion, which has given the Palestinian a reckless new ally.

As the many-headed monster grows new off-shoots in the arnarchic vacuum of the Middle East, Western governments are faced with a bigger problem than ever in identifying the sources and, in particular the sponsorship of terrorist incidents.

Analysis of data on terrorism compiled by the Rand Corporation and Aberdeen University suggests that over a quarter of incidents in the Middle East itself were in some way sponsored by states. The assistance given may vary from funding, and provision of training facilities and a measure of protection, to active direction, provision of intelligence and use of diplomatic facilities.

But while Abu Nidal is understood to enjoy considerable support from President Hafez al Assad of Syria and Col Gadaffi; that is not to say that the two command or even authorise his operations. The indications are that he enjoys much autonomy.

Abu Nidal is reckoned to have been responsible for the TWA hijackings and the airport massacres at the end of 1985; the Istanbul synagogue slaughter and the seizure of the Pan Am aircraft bear his brutal stamp.

The difficulties of interrogators in establishing responsibility is complicated by the fact that hit men are basically mercenaries — recruited by go-betweens. They have little or no idea who is their ultimate paymaster.

Shi'ite fanatics present an even more clouded picture. "Islamic Jihad" may be a cover for any number of groups. Those using its name are undoubtedly pro-Iranian in ideology but probably are not inspired rather than directed from Tehran.

Faced with the extraordinary growth of terrorism, West European states have been forced into an anxious search for ways to co-ordinate their counter-assault. They have found Interpol — a cumbersome, factious and inadequately financed body, — totally unsuited to the co-ordinated effort.

The EEC's response to the problem was the formation of the Trevi group of interior or justice ministers and working parties involving domestic security services and police within the EEC.

Last June, it was decided that the Trevi group should meet once during each EEC presidency of six months' duration. The group's gatherings had previously been intermittent; it has no secretariat and no central clearing house.

But there is said to be a constant exchange of information between the members via a common telex system, and collaboration has been established with certain non-member European states and the US.

Considerable secrecy, understandably, surrounds its work at official level. Western diplomats say, however, that the measure of co-operation achieved has been significant given rivalries between the security services of different states (that between the UK and France is particularly notorious) and between organisations within the same country.

Officials involved in the exercise believe that improved EEC co-ordination has created an environment in which it is more difficult for terrorists to operate than it was a decade ago. But that hardly seems true of France or, indeed, West Germany where the Red Army Factions, successor to the Baader-Meinhof Gang, last year sustained a fearly concentrated campaign against military targets and recently killed Dr Karl-Heinz Bekurts, the technical director of Siemens.

The Libyan crisis highlighted the political obstacles to countering terrorism by pressuring sponsors through economic sanctions and diplomatic isolation. Differences between the US and its European allies over the use of military force militate against a concerted Western campaign.

So, too, does the virtual impossibility of getting a satisfactory concensus on what terrorism *is*, given the US tendency to see any left-wing, radical régime as being tainted with it. "Perceptually and ergo politically this is the biggest problem," says Mr David Long of the State Department.

The European view that the contagion can be dealt with only by dealing with its root causes. But in practice, no-one can reasonably expect in the foreseeable future any real satisfaction of Palestinian grievances, a defusion of the threat from militant Islam, or a settlement of dozens of separatist claims and ideological conflicts all over the world. The emphasis can only be on prevention rather than cure.

Pressure grows on PLO to quit Tunis

By Francis Ghilès

PRESSURE is growing on the Palestine Liberation Organisation (PLO) to curtail its activities in Tunis, the capital to which its headquarters were moved after it was forced out of Beirut by the Israeli invasion of Lebanon in the summer of 1982.

This pressure could eventually force the PLO to locate its headquarters elsewhere in the Arab world, most probably in the North Yemeni capital of Sanaa.

The Tunisian authorities have privately told the Palestinian leaders that they should not rely on the small North African country's hospitality much longer.

In recent months, a number of Palestinian officials have found it impossible to return to Tunis and those who are allowed in are much more strictly limited in terms of the number of days they may stay.

The PLO owe their presence in Tunisia to the pleading of the former first lady, Mme Wassila Ben-Amar, who left the country earlier this year and whom the 83-year-old head of State, Mr Habib Bourguiba, divorced last month.

Even while PLO leaders and fighters were being given a hero's welcome in the former French military base of Bizerta, north of Tunis, many members of the Tunisian establishment were voicing misgivings in private as to the wisdom of such a move.

They felt that Tunisia had enough problems to confront —very difficult relations with nearby Libya, the precarious state of health of President Bourguiba and the constant infighting among Tunisian ministers, and the need to maintain good relations with the US, a staunch supporter since independence in 1956— which a PLO presence could only complicate.

Unease vis-à-vis the PLO and more militant Arab states results from the abuse heaped on the President—not to mention attempts to topple him—which followed Mr Bourguiba's suggestion, in Amman 21 years ago that the existence of Israel could not be undone and that negotiations between the Palestinians and the Israelis was a *necessity*.

Israelis step up attacks on Palestinian base

By Andrew Whitley in Tel Aviv

ISRAELI aircraft struck a Palestinian target in the Lebanon yesterday for the second time this week — and for the fourth this month — in what appears to be an increasingly harsh approach to intensified guerrilla activity there.

The target was said to be a base for Fatah, the mainstream Palestinian group of Mr Yassar Arafat, at a camp south of Sidon.

Two days earlier, buildings housing guerrillas from two Syrian-backed factions, the Abu Musa group and the left-wing Democratic Front for the Liberation of Palestine, were bombed.

The customarily bland communiqué from the Defence Ministry in Tel Aviv noted, as usual, that all the aircraft involved in yesterday's air raid had returned safely. But, according to Israel Radio, the attackers had had to evade anti-aircraft gunfire and shoulder-fired missiles.

There was no specific pretext for yesterday's bombing near Sidon. Rather, the raid appeared to be the latest instance of taking the battle to the enemy, a policy currently espoused by Mr Yitzhak Rabin, Israel's hard-line Defence Minister.

Communist attacks greet return of Aquino

By Samuel Senoren in Manila

A FLARE-UP in fighting between government troops and Communist guerrillas greeted President Corazon Aquino of the Philippines on her return to Manila yesterday from an official nine-day trip to the US, where she obtained for her debt-ridden country *pledges of* increased economic support from bankers and the Administration of President Ronald Reagan.

Clearly, the Communist insurgency has become her most immediate problem after assuring US audiences during her highly-successful visit that she was in control of the situation back home.

While Mrs Aquino was meeting US officials in Washington, the Communist New People's Army (NPA) which claims to have 22,000 regulars, had launched a series of co-ordinated attacks against military and civilian targets just a few hundred kilometres outside Manila in what appeared to be an attempt to embarrass her.

The attacks which had not been expected provoked the chief of the Armed Forces, Gen Fidel Ramos, to order a counter-offensive backed by helicopter gunships and light armour.

Gen Ramos who has supported Mrs Aquino's peace initiative with the rebels, admitted that since the Aquino Government took power in February, the ratio of casualties between Government troops and Communist rebels had become even, compared with two-to-one in favour of Government troops before February.

The successes of the NPA in the field have boosted the claim of the guerrillas that they had reached the third stage of their struggle—the strategic stalemate—which puts them in a much stronger position to negotiate with the Government.

The renewed fighting which has resulted in heavy casualties on both sides has made Mrs Aquino's quest for peace with the Communists more elusive than ever.

It could also push her to rely more heavily on the US for increased arms and logistical support to upgrade the armed forces.

Mr Reagan had told Mrs Aquino during their meeting that all she had to do was pick up the telephone when she needed something.

She had told her US audiences a few days earlier that she was prepared to use military force if the Communists to talk peace.

That occasion may have presented itself too soon. The National Security Council Vice-President, Mr Salvador Laurel, during her absence has recommended that she deals more firmly with the rebels.

The outspoken Minister of Defence, Mr Juan Ponce Enrile, has consistently charged that the Communists never meant to negotiate peace with the Aquino Government, but were instead attempting to infiltrate sensitive civilian and military offices.

Such accusations have led to the pull-out of the Communist representatives — the National Democratic Front (NDF) — from secret peace negotiations with officials of the Aquino Government.

The NDF had flatly rejected Mrs Aquino's offer for an immediate 30-day ceasefire shortly before she went to Washington.

In the Southern Philippines, where Mrs Aquino recently signed a truce with a Moslem separatist leader, some unexpected events have taken shape which could negate the peace efforts.

The leader of the separatist Moro National Liberation Front (MNLF), Mr Nur Misuari, is recruiting and training hundreds of new fighters, while army troops look the other way because the truce bars them from offensive action.

Mr Misuari who maintains that the Moslem region in the south had always been independent from Manila, plans to set up a provisional government which could put relations with Mrs Aquino in jeopardy.

South Korea proposes balanced 1987 budget

THE South Korean government proposed a balanced budget for calendar 1987 with revenue and spending each rising 12.9 per cent from the 1986 budget to Won 15,581bn (£11.7bn), Economic Planning Board officials said, Reuter reports.

The budget presented to parliament calls for real Gross National Product growth of 7.5 per cent and a 3 per cent GNP deflator, compared with officially projected GNP growth for this year of over 9 per cent and a 2.5 per cent GNP deflator.

The budget envisages an increase in oil import tax to 25 per cent next year from 15 per cent now, they added.

Defence spending is set at Won 4,897.4bn, up 13.7 per cent from 1986 and accounting for 31.4 per cent of total spending and some 5.5 per cent of 1987 GNP, the officials said, Reuter reports.

Spending on industrial projects and social welfare is budgeted at Won 4,569.5bn, up 17.1 per cent from 1986, and education spending at Won 2,642.0bn, up 13.1 per cent.

Revenue from import taxes is expected to rise 14.3 per cent to Won 2,174.2bn next year.

ADB appoints US banker as vice-president

BY PETER BLACKBURN IN ABIDJAN

THE African Development Bank (ADB), the continent's most important developing financing institution, has appointed a US banker as its first non-African vice-president.

Mr Milan Kerno, 55, has been appointed to the strategically important financial operations post as the ADB is about to start a crucial round of negotiations in Washington in early October for a major capital increase to support a proposed $9.5bn (£6.59) lending programme over the five years 1987 to 1991.

Mr Babacar N'Diaye, the ADB's president and formerly the bank's vice-president for finance, has been pressing for a 200 per cent capital increase to $18.4bn.

Mr Kerno, who is Swiss-born, was formerly head of Merril Lynch International banking group in London before becoming vice-chairman of Dean Witter Capital Markets Inter-Capital Markets Internationl in national in 1981.

Fall in non-Opec oil output may be near

BY A SPECIAL CORRESPONDENT IN HONG KONG

IF OIL PRICES remain between $10-$18 a barrel, a decline in oil production by non-Organisation of Petroleum Exporting Countries is imminent, according to research compiled by Petroconsultants SA.

The research shows that at $10 a barrel non-Opec oil production will fall 2.3 per cent in 1987, from 36.76bn barrels a day (bpd) this year to 35.9bn bpd. By 1990, there would be a further 12 per cent fall to 31.6bn bpd.

At $18 a barrel, non-Opec oil production would begin to decline in 1990, when it would be down 1.9 per cent to 37.96bn bpd, compared with 1988's 38.7bn bpd.

The research was presented by Dr Duncan Clarke at the Pacific Basin Oil and Gas Conference, organised by the Financial Times in association with Petroleum News in Hong Kong yesterday.

Dr Clarke said that countries seeking continuous exploration and production investment will need to adjust fiscal terms to bridge the current period when competition for exploration dollars has sharpened—a point reiterated by Mr Peter Gaffney, of Gaffney, Cline and Associates.

Mr Gaffney said: "Governments will have to play their part by accepting reasonable proportions of what is a much smaller cake by adjusting their legislation accordingly."

In relation to that point, Zou Ming, of the China National Offshore Oil Corporation, said China is being flexible in making adjustments to existing contracts covering exploration programmes.

To facilitate the development of medium and small oil fields in China, he said royalties for fields with production below 1m tons will be exempted in future contracts.

Professor Geoffrey Maynard, of Investcorp International, also speaking at the conference, said current oil prices will cause a decline in non-Opec oil production because exploration and development costs are not being covered.

FINANCIAL TIMES CONFERENCE

Pacific Basin Oil & Gas

Prof Maynard said that in an expanding world economy, oil prices must rise above the present low level of $15 a barrel, but added that it is not likely to exceed $25 a barrel before the end of the century.

The increase over current prices is assured, said Prof Maynard, partly because an expanding world economy will reduce the excess supply of steam coal, which will result in electricity becoming more dependent on fuel oil.

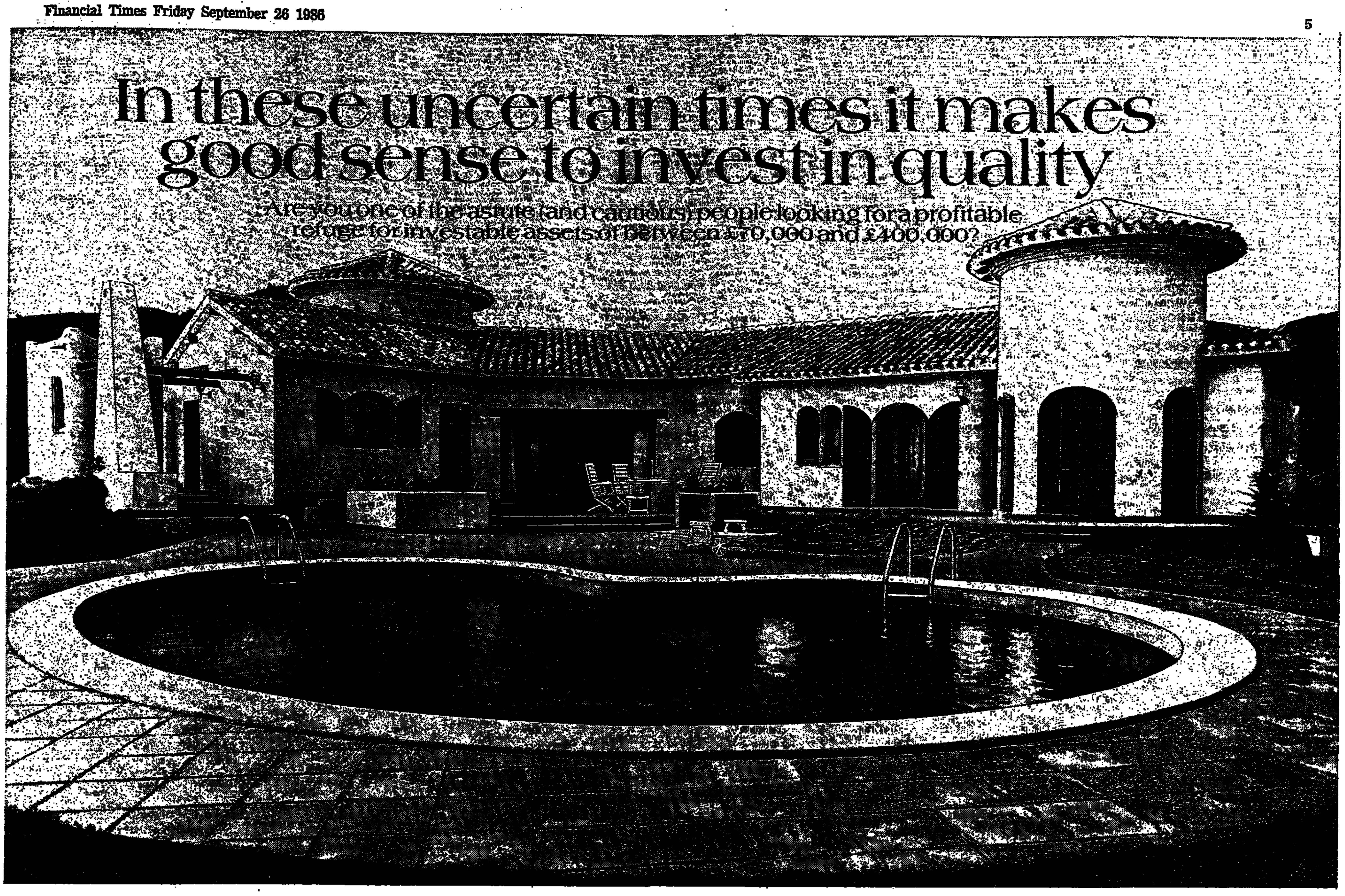
Mr Ir Wijarso, from Indonesia's Department of Mines and Energy, expressed optimism that the firmer market produced by Opec's August 4 decision to cut output (initially as a temporary measure for a two-month period) would continue as long as the market believes Opec is faithfully carrying out what it intends to do.

If production restraint is maintained beyond the two-month temporary cutback, prices could reach and stay above $15 a barrel, he added.

Mr Paul Ravesies, president of Arco International Oil and Gas Company, said that the large quantity of natural gas available in Asia-Pacific rim countries could be developed to reduce the economic drain resulting from dependence on oil imports.

The foreign capital required to develop these projects in countries with reserves can be attracted by reasonable contracts and pricing policies and a commitment to market development, Mr Ravesies said.

The main area of growth in the use of natural gas in Pacific Basin countries will be in indigenous markets, he added.



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You will enjoy your golf and improve your game in conditions that are hard to beat – La Manga Club has two golf courses of full championship standard (one of which has hosted the Spanish Open on five occasions). Plans for a third course, designed by Seve, are well under way.

The courses feature three thousand palm trees, fourteen lakes, and bunkers that test the best, so they will really stretch you however good your game.

Golf at La Manga Club is under the supervision of the Club's touring professional, no less than Seve himself, and his brother, Manuel, is the resident director of golf. The Ballesteros Academy of Golf is to be launched next year and will provide Europe's first major purpose-built golf teaching facilities. It's a golfer's paradise and a business investment in the businessman's game.

Sailing, wind-surfing, water-skiing, scuba diving, swimming, or just plain lazing by the pool.

La Manga Club borders the Mediterranean: within the private estate is the Club de Mar with its own beach and fine restaurant; you can sneak off in the Club's water taxi to one of many secluded beaches nearby; visit the Beach Club at the Mar Menor to sail, water-ski, or enjoy the challenge and thrill of what are arguably the best wind-surfing waters in Europe.

If you're not – or not always – so active, you can enjoy swimming or lazing at any one of a number of fine pools within the seclusion of the Club, like the huge leisure pool with its unique island for sunbathers.

It's an investment in paradise for people who love the seductive cocktail of wind, sun and water.

Tennis, squash, croquet, and bowls at the David Lloyd Racquet Centre.

If you prefer the challenge of tennis (on clay, hard or grass), the breathless speed of squash, the slow brutality of croquet, or the contemplative skill of bowls, you can enjoy any or all of these in the David Lloyd Racquet Centre, which offers you a choice of eighteen courts (most of them floodlit for play in the cool of the evening), and of course fine coaching, as well as croquet and bowls on floodlit greens.

If you want to work more seriously on your health and looks, the Centre includes a health and fitness spa for you.

It's an investment in your game and your health.

Riding from fine stables in the seclusion of the huge estate or trekking further afield.

If you love horses and riding, you'll enjoy our fine stables and string of horses and ponies to suit every kind of rider, including toddlers. You can ride all day around the 1,200 acres of your huge private estate.

Or, if you feel more adventurous and want a taste of that Wild West feeling, go further afield and explore on horse-back the surrounding Murcian hills, overlooking the Mediterranean. Supervision and training go without saying, of course, if you want to learn from scratch or improve your established riding skills.

The click of bat on ball, on your own cricket pitch.

If you've ever dreamed of opening the bowling for England, hitting the winning six at Lords, or even captaining the English Women's Cricket XI, you'll enjoy having your own private cricket pitch on your doorstep. You can play yourself or sit on the boundary with a tall drink and watch others indulge.

La Manga Club's oval is the one and only cricket pitch in Southern Spain, and it's so good that it's often used by the top English county sides for pre-season practice. So you'll often have the bonus of first class cricket to watch, in the sun.

We haven't forgotten your children and sub-teens, either.

Since La Manga Club is your private resort, it's a very safe place for your children to enjoy themselves in quite exceptional freedom with security.

There is a traditional playground and crazy golf for the younger ones. Older children can cycle safely around to all the various excitements of the estate.

Children can enjoy the swimming pools, riding, sailing, scuba diving, wind-surfing, and indeed all the available activities when they're old enough and interested enough to enjoy them.

There's even a special 'mini' clubhouse just for the young ones (any age from a toddling two to a sulky seventeen) which lays on special attractions just for them, such as teen discos, treasure hunts in the grounds, riding expeditions and many, many more absorbing and improving activities.

High life and night life for every taste.

Social life revolves round the La Manga Club Hotel and the adjoining Clubhouse, where the residents and their guests mix, mingle and get to know each other in a delightful atmosphere where everybody is the kind of person you'll be glad to get to know.

You can choose from a wide variety of restaurants and bars.

Past the bedtime of the staid, we open the Piano Bar night club scene, with lively music to set hearts beating faster and feet dancing into the small hours of the morning.

There are also movies for all ages, bridge, backgammon and other relaxed enjoyments.

If you like noise (well away from others who don't), there's Lords, the summer disco, a few minutes stroll out of earshot in the grounds.

And, of course, there's nothing to stop you playing truant and slipping off down the coast to the zippy La Manga Strip nearby, which offers restaurants, discos, bar upon bar, and even a Casino.

An investment in pleasure for you, your family and your friends.

When contemplating a second home overseas, the question of long-term security is of prime importance.

You'll be glad to know that the La Manga Club is owned by a major British company – European Ferries Group Plc – a leisure and property group which is one of the largest public companies in Great Britain. As sole owners and developers, they provide investors with a degree of security and credibility hard to match.

Because European Ferries own and manage the entire 1,200 acre private complex, owners can be sure that their investment will not, in future years, be diminished by unsightly adjoining development.

The sense of exclusivity is reassuring, from the moment you collect your security pass at the gate, right through to knowing that your garden will be tended and even a broken light bulb replaced while you are away.

Here is a unique investment opportunity for the fortunate few; opportunities are limited strictly by the available sites around the golf courses and on the low slopes of the hills.

As this announcement may not be repeated, be sure to obtain our Information Pack without delay by returning the Invitation below with your details. Please reply promptly.

Personal callers may like to visit our London office opposite Harrods where a short video can be viewed.

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La Manga Club Ltd, Silver City House, 62 Brompton Road, London SW3 1BW. Telephone: 01-225 2215

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Mr/Mrs/Miss/Ms ____________________

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Complete and return to: La Manga Club Ltd, Silver City House, 62 Brompton Road, London SW3 1BW. Telephone: 01-225 2215

RSVP

AMERICAN NEWS

Reagan sees possible arms control deal

BY STEWART FLEMING, US EDITOR IN WASHINGTON

REAGAN ADMINISTRATION officials, echoing the optimistic assessment of the prospects for an arms control agreement voiced by President Reagan earlier this week at the United Nations, are saying that the most likely area for an accord is in the talks on intermediate range missiles in Europe.

US officials are also saying they detect signs of movement in the Soviet position on long-range strategic missiles and the crucial 1972 Anti-Ballistic Missile Treaty.

The New York Times yesterday quoted unnamed Administration officials as saying they had detected a shift in the Soviet position on the ABM treaty in the letter to President Reagan which Mr Mikhail Gorbachev, the Soviet leader, sent to Washington a week ago.

Moscow, according to The Times report, has indicated it would seek to bar development of the missile defences envisaged in the US Strategic Defence Initiative for up to 15 years. Previously, the Soviet Union sought to postpone deployment by either side by between 15 and 20 years.

Mr Reagan's stance was *further highlighted yesterday* by the Defence Secretary Mr Caspar Weinberger. He pointed out in a speech in Chicago that the US is now linking its offer to share the "benefits" of SDI research with the Soviet Union only if Moscow agrees to a "phased elimination" of all superpower ballistic missiles.

The outlook for a possible summit is clouded by the unresolved case of Mr Nicholas Daniloff, the US journalist facing spying allegations in Moscow, and by question marks over whether significant agreements could be reached.

The assessments of the state of the arms control talks being offered by Washington officials contrasts with the harsh criticism of President Reagan's UN speech from Moscow. Mr Reagan's speech also drew critical reviews from US arms control experts outside the Reagan Administration.

It is generally acepted that Washington and Moscow have made the most progress in arms control talks on intermediate range nuclear forces (INF) in Europe. Both sides have reportedly agreed that 100 warheads would be a suitable ceiling for the sort of interim agreement which President Reagan said on Monday he was prepared to accept if Moscow did not want *to move* immediately to the elimination of these missiles.

As Mr Kenneth Adelman, director of the US Arms Control and Disarmament Agency said yesterday the fact that the Soviet Union has agreed to exclude British and French nuclear systems from the negotiations and has untied the INF talks from the issue of the Strategic Defence Initiative also improves the chances of an early agreement.

But arms control analysts say there are some big issues to be resolved even in the INF area.

Independent analysts also question whether Mr Reagan's UN speech has helped the arms control negotiations. Mr Spurgeon Keeny, a top arms control official in the Carter Administration, claimed earlier this week that the President's speech cut no new ground and was a step backward which will not be well received in Moscow.

Ambassador Gerard Smith, who headed President Richard *Nixon's nogotiating team* for the ABM Treaty and the Salt I interim agreement, says the language Mr Reagan used in his speech when referring to SDI and its compatibility with the ABM Treaty was ambiguous. It could be read as indicating that Washington is sticking to a broad definition of the extent of permissible research, development and testing of strategic defences unacceptable to the Soviet Union.

Venezuela denies breaking Opec pact

By Richard Johns

VENEZUELA has reacted with wounded indignation to suggestions that it has been dishonouring the Organisation of Petroleum Exporting Countries' interim output sharing agreement.

Mr Arturo Hernandez Grisanti, Venezuelan Minister of Energy and Mines, denied on Wednesday that his country was exceeding its quota of 1.55m barrels a day under the 14.8m b/d ceiling agreed by 12 members.

"In Opec there are no export quotas, just production quotas, and Venezuela is com*plying with its production* quota," he said after a Cabinet meeting.

Mr Hernandez was commenting on a report by the Middle East Economic Survey that Petroleos de Venezuela, the state oil corporation, is selling an additional 200,000 to 300,000 b/d from stocks over what would be available for sales abroad after taking into account domestic consumption.

All of Opec's four output sharing pacts in the past have related strictly to production levels — an aspect of them criticised at various times by some members, particularly Iran.

Nevertheless, an increase in sales from stocks will be regarded as a breach of the spirit of the agreement by most members who believe exports and local consumption should not exceed quotas.

The Economic Survey also reported that Libya was selling from stocks. In addition, the United Arab Emirates is *believed to be about* 150,000 b/d over its quota. Overall, however, output by the 12 members (Iraq is not covered by the accord) is reckoned to have been well within the limit at between 14.3m and 14.8m b/d in the first two weeks of September.

The interim agreement is valid until the end of next month and will be reviewed at an Opec conference starting on October 6.

Peru ready to plead with creditors

BY ROBERT GRAHAM IN LIMA

PERU is expected to make a desperate attempt to maintain a dialogue with its international commercial bank creditors at a meeting today in New York.

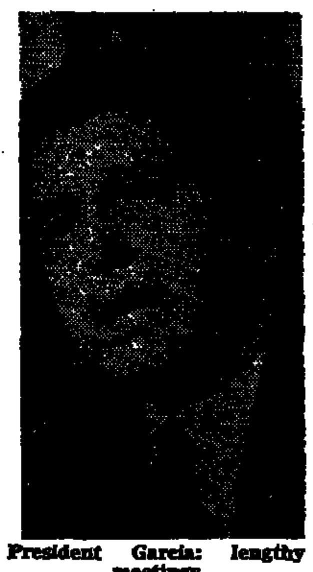
The meeting is between Peruvian Government officials and the 13-member steering committee that represents the 260 commercial banks increasingly anxious over the fate of rapidly accumulating arrears.

Under President Alan Garcia's policy of limiting service payments on Peru's *$13.7bn (£9.47bn) foreign debt* to 10 per cent of its export earnings, the international commercial banks have received the least of the monies paid out.

The last payment made to the commercial banks was a token $17.8m in April.

According to Peruvian Central Bank projections, the international banks will have unpaid arrears at the end of the year on principal and interest of $1.8bn on total arrears to all creditors of $4bn.

Today's meeting comes in advance of next week's annual International Monetary Fund and World Bank meetings in Washington. It is being held against the background of Peru's decision on August 15 to make only a part payment of $35m to the IMF, the last date on which it was meant to cover arrears with the fund of $170m.



President Garcia: lengthy meetings

As a result, Peru has been declared "ineligible" by the fund, further complicating its position with commercial bank creditors.

Peru has been warned that this could be the steering committee's last session and thereafter the committee could dissolve with individual banks pursuing their own *paths to* secure payment. This threat has led to a series of lengthy meetings in Lima over the past week between President Garcia and his economic advisers.

One immediate result has been the payment of $28bn outstanding to the Inter-American Development, which has led to the *release of $32m.* Between the IDB and the World Bank, there is almost $1bn in the pipeline funds on which Peru is still counting. The World Bank, it is understood, has offered to act as an intermediary.

"We want to intensify the dialogue," Mr Luis Alva Castro, the Peruvian Prime Minister, told the Financial Times. Mr Gustavo Saberbein, chief foreign debt negotiator and deputy Finance Minister, says Peru will tell the banks: "We are not saying we will not pay; rather we cannot pay in the present circumstances and under the present conditions and we must try and find some mutual understanding."

The Peruvians would like to discuss formulas that restructured the debt over a lengthy period, say 20 years, with a long initial period of *grace or, alternatively,* ideas that involved interest capping. These would be combined with some limited counter trade proposals and debt *for* equity deals. However, the Peruvians recognise that the main immediate objective is to maintain a dialogue and prevent a drying-up of commercial credit.

Even by severely limiting debt payments to about $350m this year, Peru expects a balance of payments deficit of $232m. So far there is no sign that the Government is willing to use its reserves of $1.2bn to pay some arrears.

Mr Saberbein said that *if* Peru paid the IMF in full it would mean that about 75 per cent of planned debt payments for the year would go to the fund.

Peruvian policy has been to service those creditors providing continuing funds. The order of preference has been the World Bank, the IBD, US aid, key industrialised governments and then the banks.

Ministers in dispute ahead of IMF talks

COMMONWEALTH FINANCE ministers meeting to decide their position at next week's financial talks in Washington are in dispute over the success of industrial countries in injecting stability into the world economy, Reuter reports from Castries, St. Lucia.

Britain and Canada have presented positive viewpoints *to* the conference on moves by industrial nations to stimulate world economic growth and stabilise currencies but their view was not shared by the developing Commonwealth countries.

The meeting, in advance of the International Monetary Fund and World Banking conferences in Washington next week, is dominated by the plight of developing countries, which comprise the vast majority of the 49-nation Commonwealth.

Sir Sridath Ramphal, Commonwealth Secretary General, stressed the need for an increase both in the capitalisation of the World Bank and in the replenishment of the International Development Association.

"We seem to be approaching agreement on an IDA replenishment at a level even less than the unsatisfactory target of $12bn (£8.29bn)," he said. "It is a scant reward for the considerable efforts of sub-Saharan countries to effect adjustment."

In his speech, Sir Sridath also appealed for a big aid programme for black African states affected by South African destabilisation.

● Latin American economic leaders, in two days of strategy talks prior to the IMF-World Bank meeting, have adopted a cautious approach towards the region's four-year-old debt crisis, Reuter reports from Panama City.

Mr Ricaurte Vasquez, the Panamanian Planning Minister, who chaired the talks, said regional debtors would call for easier access to IMF loans and faster processing of World Bank loans, and Latin nations *would also call for new credit* facilities to help repay outstanding IMF-World Bank loans.

Left-wingers held over Pinochet attack

THREE OPPOSITION leaders are being questioned in connection with the assassination attempt last month on President Augusto Pinochet of Chile, AP reports from Santiago.

Mr Joaquin Erlbaum, the military prosecutor, told reporters that he questioned Mr Ricardo Lagos, Mr German Correa and Mr Rafael Maroto at the request of the secret police.

"I do not know whether they have any connection with the *case," he said.* The ambush happened on September 7 on a mountain road near Santiago.

Mr Erlbaum said he had banned the three from leaving the country because he needed more information about the case. He said that, although the three were in jail, they could be released at any time.

Mr Lagos lead a socialist party. Mr Correa and Mr Maruto, a suspended priest, are leaders of the Popular Democratic Movement, a Marxist coalition.

The three were arrested without charge the day after the assassination attempt on orders from the interior ministry. Five bodyguards died in the attack but General Pinochet escaped with minor injuries. The three remained in custody on Interior Ministry orders but not in connection with the Pinochet attack.

Reuter adds: Chilean security *forces have arrested about 80* people in sweeps through two Santiago slum districts, the semi-official Orbe news agency said.

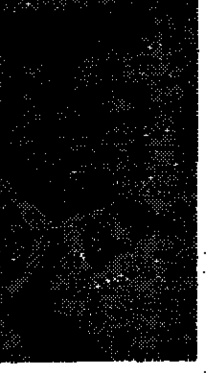
The Government says 27 opposition leaders are being held in Santiago since the military declared a state of siege following the assassination attempt. It is not known how many people are *being* detained under the emergency regulations outside the capital.

At least another 90 people have been arrested in raids on Santiago slum districts over the past few days.

Meanwhile, a West German-born schoolmistress arrested by secret police in southern Chile last week has been charged with subversion and sent for trial by a military court.

The West German Foreign Ministry on Monday summoned Chile's ambassador to Bonn to demand the release of Mrs Beatriz Brinkmann, who the West German radical Greens Party said was a member of a human rights group in Valdivia, 520 miles south of Santiago.

The military governor of the southern province of Bio Bio said Ms Brinkmann had been charged with membership of the banned Communist Party and its alleged armed wing, the Manuel Rodriguez Patriotic *Front (FRMR), which has* claimed responsibility for the attack on General Pinochet.



President Pinochet: escaped serious injury

WORLD TRADE NEWS

Nancy Dunne in Washington on the headlong rush into shaky credit guarantees

Growing concern on export financing debt

THE GROWING concern about the consumer, business and government debt has failed to focus on one *important aspect of the* landscape: the increasing debt held by official export financing agencies.

Two recent reports released by the International Monetary Fund highlights trends in Government-assisted trade financing and shows how the agencies, pressed by a desire to boost exports, have rushed in where the commercial banks fear to trade.

From the end of 1983 to June 1985, according to the IMF, the outstanding stock of officially supported export credits to developing countries rose from $133.4bn to $143.3bn, comprising an estimated 20 per cent of the total outstanding external debt of developing nations.

When adjusted for exchange rate movements, the increase is at least 6 per cent a year, compared with an increase of about 1.5 per cent for non-guaranteed bank credits.

According to the statistics gathered from the Bank of International Settlements and from the Organisation of Economic Co-operation and Development, non-guaranteed bank credits for all developing countries barely rose at all. Over the 18-month period they edged up from $454.3bn to $455.9bn.

Meanwhile, since 1982, says the IMF, "the export credit agencies have faced a dramatic *deterioration in their financial* position as a consequence of a record level of claims payments caused by the debt reschedulings and arrears of an unprecedented number of debtor countries."

Most agencies are still under "strong financial pressures" with cash deficits on transactions continuing to rise. Although claim recoveries have been increasing, payouts for claims still exceed "by large margins the sum of recoveries and premium incomes." The cost of Feds charged on loans has increased but business volume is down.

"Only one agency was able to report a slight improvement in its financial position in 1985," said the IMF, "while another agency indicated that a provisioning exercise which had recently been completed pointed to the first hopeful signs in four to five years."

In its recent annual report, the US Export-Import Bank listed more than 25 borrowers which were delinquent in payments on debts totalling $2.7bn. The report contained a letter from Mr Charles Bowsher, the Comptroller General, complaining that EximBank's assets included about $4.9bn of "*problem debt" and that the bank* ought in fact, to be taking $1.1bn to $1.9bn in losses that it does not count.

Instead, it reported losses in the last fiscal year of $344.2m, slightly more than the $342.6m in the previous year. It paid $155m in claims filed under its guarantee and insurance programmes, and it rescheduled $485m in principal and interest instalments on loans.

Despite the delinquencies, political pressures on Exim-Bank "to boost competitiveness" has been unrelenting. Congress is even now prepared to approve a $300m "warchest" to finance a mixed credits war as the Administration tries to convince the French to agree to limits on tied aid.

This month, EximBank *officials even agreed to go* ahead with a highly subsidised $35m mixed credit offer backing the sale of hospital equipment to Brazil, although the bank has stopped processing long-term and medium-term applications for loans, guarantees and insurance to Brazil because it is $300m in arrears on its payments.

The IMF concluded that export credit agencies, under competitive pressure, remain "on cover" for so long that debtor countries postpone *adjustment efforts* "beyond when adjustment measures would entail a comparatively light effort."

It is up to the borrowers not to take on credit obligations they cannot meet, the agencies said. The lenders said they have their own difficulties in interpreting advance warning signals about the economies of *prospective customers because* economic indicators are rarely conclusive.

They also worry that an abrupt move out of a market by the agencies as a group could precipitate liquidity crisis in the borrowing nation, thus jeopardising previous investments.

In discussions with the *export lenders, the IMF found* an interest in improving co-operation between the credit agencies. A desire exists to collaborate on sounder lending standards as well as broad support for an internationally co-ordinated arrangement to provide export credit assistance to those debtors undertaking "appropriate adjustment to *achieve an early return to full* creditworthiness."

DEVELOPING COUNTRIES: OFFICIALLY SUPPORTED EXPORT CREDITS AND BANK CREDITS

	End-1983	End-1984	June 1985	1984 (% change)	First half 1985
	(Amounts outstanding $bn)				
All developing countries					
Officaly supported					
export credits	133.4	138.7	143.4	4.0	6.9
Nonbank export credits	86.9	89.9	92.5	3.4	5.8
Guaranteed bank credits	46.5	48.8	50.9	5.0	8.9
Nonguaranteed bank credits					
BIS/OECD statistics	454.3	454.0	455.9	−0.1	0.9
IMF statistics	500.8	505.4	507.7	0.9	0.9
Rescheduling countries					
Officially supported					
export credits	39.0	39.0	39.6	0.2	2.7
Nonbank export credits	21.5	21.8	22.8	1.6	8.9
Guaranteed bank credits	17.5	17.2	16.8	−1.5	−4.8
Nonguaranteed bank credits					
BIS/OECD statistics	230.1	234.3	233.5	1.8	−0.7
IMF statistics	274.5	281.6	282.8	2.6	0.9

Source: BIS, OECD

Bid to lift Canadian drug rule

BY BERNARD SIMON IN TORONTO

THREE multinational drug companies have announced substantial new investments in Canada on condition that the Federal Government presses ahead with controversial legislation to tighten patent protection on brand-name medicines.

The C$80m (£40m) projects announced by Miles Laboratories, Beecham Laboratories and Glaxo Canada are part of a commitment by the foreign-owned segment of the pharmaceutical industry to increase research and development in Canada in return for government moves to relax a 17-year old law forcing multinationals to license local *generic or* "copycat" drug manufacturers long before expiry of their own patents.

Following complaints by the multinationals, supported by the US and EEC governments, a committee of inquiry last year proposed relaxing *the compulsory licensing sys*tem. Ottawa outlined plans earlier this year to extend patent protection from as little as four years to a minimum of 10 years.

In return, the multinationals agreed to increase research and development spending from the current level of 4.9 per cent of sales to 8 per cent by 1990 and 10 per cent by 1995.

Since compulsory licensing began in 1969, 363 licences have been granted to generic firms. Another 41 applications are pending.

Besides lowering domestic medicine prices, Canadian generic manufacturers are alleged to have disrupted markets in Africa and the Middle East by exporting their low-cost products.

Consumer groups strongly oppose greater protection for brand-name manufacturers on the grounds that it will lead *to sharp increases in retail* drug prices. The Consumer Association accused the three groups which have announced new investments of trying to "blackmail" the authorities into pressing ahead with the proposed legislation.

The Government has countered these concerns by proposing to set up a drug prices review board to monitor companies' research and development spending and price increases. Elderly and needy drug users will be subsidised.

Mr Jacques Lapoint, President of Glaxo Canada, said that the company's C$50m investment plan is subject to new rules "providing the protection that we need."

The announcement of the three new investments appears to be carefully planned to exert pressure on the Government to press ahead with the legislation.

Panama cuts tariffs for flag of convenience

By Terry Dodsworth

THE Panamanian authorities are slashing tariffs for shipowners registering under the country's flag of convenience in response to similar cuts introduced recently by Liberia.

Dr Hugo Torrijos, Panama's director general of Consular and Maritime Affairs, said in London yesterday that the new measures were likely to make Panamanian registration the cheapest in the world, although it was "difficult to calculate" the exact prices on offer from Liberia.

Panama, he added, expected that the tariff cuts would lead to a *slight reduction in its* revenues from ship registrations, but believed that they would also stimulate demand for the Panamanian flag.

The new incentives are aimed primarily at larger vessels of over 75,000 gross tonnes — a sector which is showing some signs of revival.

Rates on these ships, or a group of vessels under joint ownership whose combined weight reaches 75,000 tonnes, are to be reduced by up to 30 per cent from the current charge of $1.00 (61p) per net tonne.

Even deeper discounts are being introduced for vessels registering for only short periods of up to three months — a strong part of the market as many ships are being sent on final voyages to breakers' yards. Panamanian rates for these registrations will plummet to 40 cents per net tonne.

Panama has the second largest fleet in the world, after Liberia. Its registry is at its highest level ever, with 12,000 ships representing 57m tonnes.

Japanese and other Far East owners account for around 60 per cent of ships registered in Panama. But Panamanian shipping has benefited from a trend among traditional owners to drop the flags of their national fleets and move to countries where crew costs can be reduced.

This tendency, intensified by difficult market conditions, has emerged strongly in Europe in recent months, particularly with Scandinavian and Greek vessels.

In order to strengthen the appeal of the Panamanian flag, the authorities are also putting new emphasis on improving safety standards.

Dr Torrijos conceded that the Panamanian fleet had one of the worst safety records in the world, but said a new, compulsory examination system for all officers should go some way to resolving the problem.

Japan negotiates discount in Indonesian LNG

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA, the world's largest exporter of liquefied natural gas (LNG), has given major price concessions to Japan, its principal customer.

The concessions are certain to have a direct implication for similar deals with South Korea and Taiwan.

After week-long negotiations in the capital Jakarta, Pertamina, Indonesia's state-run oil company, agreed to drop demands that sales prices be pegged to the government-selected price, currently set a $28 (£19) per barrel for Indonesian crude.

Instead, LNG prices will be in line with the prevailing world market. Indonesian crude was yesterday selling at $12 a barrel on the Asian spot market. Without giving details, Pertamina officials confirmed the agreement would be "retroactive."

Until this year Japan was Indonesia's only gas customer, having signed a 20-year agreement in 1973 to buy 14.7m tonnes annually. Last year exports to Japan totalled more than 15m tonnes and were worth approximately $3.4bn.

South Korea seems certain to press *for* equally favourable terms. It signed a similar 20-year agreement in 1983 to buy 2.1m tonnes a year. First shipment of 59,250 tonnes from the Arun gas plant in Sumatra, originally scheduled for June, is now set for next month.

Earlier reports suggested Korea was prepared to scrap the deal and face legal action if no price agreement was reached.

Taiwan is also following developments, having recently initialled a 20-year purchasing agreement for 1.5m tonnes per annum.

Indonesia recently projected oil and gas export revenues to fall from $12.44bn in fiscal 1986 to $6.62bn this year.

Gas volume figures for the first seven months of this year announced yesterday were down from 460,256m to 437,747m BTUs over the same period last year.

Indonesia's total natural gas deposits are put at close to 100 tr (million million) cubic feet, making it the world's largest exporter.

The natural gas distribution unit of Italy's state energy company Ente Nazionale Idrocarburi (ENI), and Sonatrach, Algeria's *state energy monopoly,* have agreed to revise the natural gas pricing formula which governs supplies of Algerian gas to Italy, AP-DJ reports from Rome. ENI said that the new pricing arrangement, which will last for three years, would price the gas at a rate linked to market quotations. The gas price was linked to the official selling prices (OSP) for a basket of eight crudes.

Taiwan boosts Euro-trade

BY BOB KING IN TAIPEI

TAIWAN'S trade with Europe jumped more than 37 per cent to almost $5bn during the first eight months of the year.

Exports alone increased by almost 50 per cent during the period to $2.9bn, while imports rose by 24 per cent to $2.06bn, giving Taiwan a surplus of $840m, against $285m for the same period in 1985.

Trade with the EEC accounted for $4.38bn, or about 88 per cent of the total.

Machinery and industrial equipment formed the largest component of the Taiwanese imports at $1.75bn, a growth of almost 30 per cent. Electronic goods accounted for a significant portion of the remaining $256m.

West Germany remained Taiwan's largest trading partner, with $1.51bn of Taiwan's total trade with Europe. German purchases from Taiwan totalled $780.8m and sales were $730.1m.

Trade with the UK took second place at $805.6m with an increase of 34 per cent.

Government statistics *did not* provide a clue to the reason for the increased trade. But recent months have suggested an increased emphasis on the European market by Taiwanese exporters, especially those involved in computers and other electronic products.

The relatively weak standing of major European currencies against the new Taiwan dollar, which has appreciated by almost 10 per cent against the US currency since the beginning of this year, should have made European products more competitive.

Personal income continues to rise as inflation falls

BY ROBIN PAULEY

REAL personal disposable income increased by a further 0.5 per cent between the first and second quarters of this year as wage rises continued to outstrip inflation by a substantial margin.

Figures published yesterday by the Central Statistical Office show the real level of personal disposable income at the end of the second quarter to be 4 per cent up on the level in the same period of 1985.

Total wages and salaries increased by 2 per cent in each of the first two quarters of this year which means they rose by a total 8 per cent in the year to the end of June.

The deflator measuring consumers' expenditure was unchanged between the first two quarters of 1986 with lower price for durable and energy products offsetting other price rises.

Although personal income is rising, a larger proportion is being spent rather than saved. The result is that the saving ratio – personal saving as a percentage of total personal disposable income – has fallen from 11.1 in the last quarter of 1985 to 10.8 and 10.5 in the first two quarters of this year.

CSO figures also show that, while wages and salaries continue to rise, there was a substantial fall in profits among British commercial and industrial companies, largely due to the collapse of profits on North Sea oil operations.

The provisional seasonally adjusted estimates show North Sea oil company profits 68 per cent lower in the second quarter of 1986 than a year earlier, reflecting the fall in oil prices, while non-North Sea industrial and commercial profits rose by 11 per cent.

However, by this year all profitability had started falling and non-North Sea companies lost 3 per cent while North Sea oil company profits were halved, reflecting both the fall in the sterling price of oil and lower output.

Industrial output recovery predicted

By Our Economic Staff

WEAK GROWTH in output in industrialised countries in the first half of this year should recover significantly during the second half, says the report.

The bank's earlier forecast of GNP growth of 3 per cent in both 1986 and 1987 in the major industrial economies was based on the expectation of higher consumer spending in response to faster growth of real incomes.

"Already there is some evidence of an increase in retail sales in the second quarter in France and Germany; a recovery in retail demand was also under way in Japan by March and in the United States by June," says the report.

There is some evidence of continuing wage moderation in several countries although improved profitability may have led to some upward pressure on wages. The rise in whole economy earnings in Germany and Japan of 3 per cent and 4.75 per cent, respectively, in the year to the end of the first quarter of 1986, for example, was higher than in the year to the end of the previous quarter.

Manufacturing earnings in the major economies have risen at an annual rate of nearly 5 per cent in the first quarter of the year – well below the underlying UK increase which averaged 8.25 per cent during the quarter.

The combined current account deficit of the major seven economies appears to have declined during the second quarter of 1986, largely reflecting a further rise in the Japanese surplus.

In addition, Italy's current account is thought to have moved into surplus as a result of improving terms of trade. By contrast, the US deficit is estimated to have increased during the second quarter in spite of the fall in oil prices.

The sharp decline in oil export earnings resulted in a further deterioration in the oil exporting countries combined current account balance. Saudi Arabia and Oman have devalued their currencies as oil revenues slid and other Opec countries face further import retrenchment. The identified assets of oil exporting nations fell by $4.7bn in the first quarter to 1986.

During the three months to the end of August the dollar resumed its downward trend, reaching new lows against several major currencies as pessimism intensified over the performance of the US economy.

Sterling also came under pressure from early July as confidence was eroded by the expected impact of a further sharp fall in oil prices on both the external position of the UK economy and on public finances.

The Bank ends on an upbeat note for developing countries. "Although some countries look set to face continued difficulties over the remainder of the decade, debt ratios should move slowly in the right direction and, despite only moderate growth prospects in the short run, economies should continue to restructure, improving medium-term growth prospects."

But it adds a note of caution: "The outlook is, as ever, subject to significant risks."

Pay rises 'threatening prospects for growth'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

FASTER GROWTH in the world economy and sterling's depreciation against other currencies offer considerable opportunities for British industry, but these will be eroded if wages continue to rise rapidly, the Bank of England says in its latest Quarterly Bulletin.

The Bank says that, despite the weakness of Britain's output in the first half of the year, there are signs that the pace of growth is now beginning to revive. Demand in the industrialised countries as a whole is expected to accelerate in response to the income gains flowing from lower oil prices, consumer spending has remained strong and a lower pound has boosted Britain's competitiveness.

Echoing recent government statements, however, the Bank voices concern about the pace of earnings and unit cost growth in Britain relative to its main competitors. "Even allowing for measurement problems and the cyclical element in productivity, unit labour costs here have risen by some 5-6 per cent more rapidly over the year than those of our major competitors," it says.

So far, that had not offset the beneficial impact on industry of a lower pound. Britain's relative unit costs, expressed in terms of a common currency, in the first quarter of this year were 7¾ per cent below the temporary peak they reached six months earlier.

"The further fall in sterling's effective rate since the first quarter should result in some additional improvement in competitiveness, at least in the short term," the bulletin says.

The Bank, however, emphasises its concern over the potential impact both on competitiveness and on inflation of the present rate of annual earnings growth of 7½ per cent.

While acknowledging that the present indicators of monetary policy are difficult to interpret, it appears to caution against any sizable cut in interest rates in the near term. "It remains important that policy should continue to exert downward pressure on the sources of inflation and that monetary conditions should not become lax," it says. Particularly disturbing is the recent strong growth of bank lending to the private sector.

In an analysis of the twin impacts of the fall in oil prices and sterling's depreciation since the end of the last year, the Bank says that over time they should boost output and improve the current account of the balance of payments, leave prices little changed but push up public borrowing.

The Bank says that output will benefit from the increased competitiveness from a lower exchange rate while a number of factors will offset lower oil export revenues. These include higher exports of manufactured goods and increased earnings from Britain's overseas assets.

It acknowledges, however, that despite recent signs of an improvement the volume of manufactured exports has been essentially flat for the past 18 months.

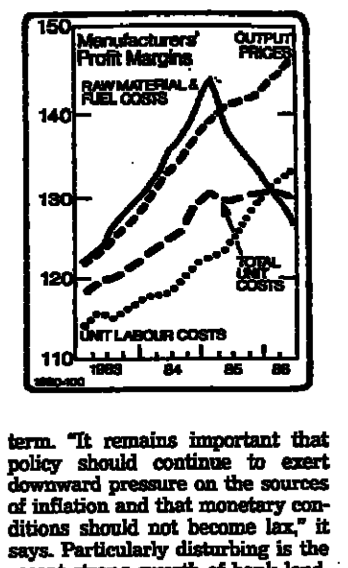
In the first quarter of 1986 non-oil profits net of stock appreciation were 16 per cent higher than a year earlier, helping to boost the pre-tax rate of return to 8½ per cent.

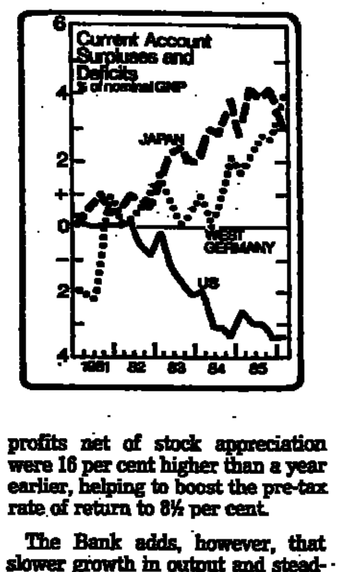
The Bank adds, however, that slower growth in output and steadier input costs suggest that profits may now be growing at a slower rate. In a separate article it also notes that real, or inflation-adjusted, interest rates appear to have been rising in Britain since the beginning of 1985, adding to the cost of investment for corporate borrowers.

Overall, the Bank's assessment of the economic outlook concludes: "Projections of a resumption of stronger growth as recent developments in real incomes and competitiveness bear fruit appear well founded, but the recalcitrance of pay settlements continues to frustrate hopes of longer-term reductions in unemployment."

Bank of England Quarterly Bulletin, Vol 26, No 3, available at £27 annually in the UK (varied rates overseas), Economics Division, The Bank of England, London EC2R 8AH.

Bank of England Quarterly Bulletin





Reduction of wages cited as key to US rise in employment

BY ROBIN PAULEY

AN INCREASE in real wages does have a depressive effect on employment and the most important factor in getting the rising US workforce into work has been the reduction of real wage growth, according to an analysis by the Bank of employment in Britain and the US during the decade to 1984.

Britains' employment performance has been significantly worse than that of the US throughout the period. Business employment rose by more than 20 per cent in the US between 1974 and 1984 while it fell by 10 per cent in Britain. Unemployment rates rose in both countries, but the rise was much greater in Britain.

The Bank considered the full range of explanations for the performance disparity, ranging from the allegedly greater strength of aggregate demand in the US to the adverse influence of supply side factors in Europe – labour mobility and training and the disincentive of high marginal tax rates, for example.

The Bank's analysis shows real wages grew more slowly during the decade in the US than in Britain, in spite of the fact that a more rapid rise in the capital stock in the US would have justified a faster rise in real wages because of its effect on labour productivity.

The Bank's calculations estimated that a 1 per cent rise in the real wage would, other things being equal, eventually reduce employment by just above 1 per cent in the US and just below 1 per cent in the UK.

A notable feature of the estimates was that in the US an increase in aggregate demand appears to permit an increase in output prices relative to labour costs, thus reducing the real wage, where as an increase in demand in the UK exerted upward pressure on the real wage.

This suggests that nominal earnings are probably quite sensitive to a tightening of the labour market, says the report.

The analysis also studied the effect of the tax "wedge" between the cost of labour to the employer and the net income received by the employee. This wedge comprises the effective rates of direct, indirect and payroll taxes.

It was estimated to have reduced employment growth in both the US and the UK by around 4 percentage points between 1974 and 1984 because of the increases in the effective tax rates. These led to higher growth in nominal labour costs which employers did not pass on fully in prices.

In addition, a major stimulus to US employment resulted from the decline in trade union wage pressure, as measured by the proportion of employees in trade unions. No systematic influence of variations in UK trade union activity on real wages and employment could be detected.

In the US increases in the real price of imports were calculated to have had an adverse effect on employment, unlike the UK.

● The UK's net overseas assets fell slightly from £81bn at the end of 1984 to £80bn at the end of last year, with the drop due largely to valuation changes resulting from sterling's rise against the dollar during the year.

In its annual series on Britain's external assets, the Bank of England says that net investment abroad totalled £7bn in 1985, but the impact on total assets was more than offset by the pound's 25 per cent appreciation against the dollar during the year. This reduced the sterling value of overseas investments held in the US currency.

Britain's return from its assets also fell last year. Net overseas investment income is estimated by the Bank at £3.4bn in 1985, £800m lower than a year earlier.

Japanese banks by far the largest group in City

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE "outstanding feature" of the last 10 years in the London-based international banking market has been the growth of the Japanese banks, which now form by far the largest nationality group. But an article in the bulletin chronicling international banking in London since 1975 also says that US banks, which previously dominated the market, remain the most innovative.

Japanese banks accounted for 31 per cent of international liabilities booked in London at the end of last year, up from only 13 per cent in 1975. The US banks' share was 16 per cent at the end of last year, down from 38 per cent, while British banks had 19 per cent, down from 21 per cent. Of the 25 largest banks represented in London, 12 are now Japanese.

The article, which examines for the first time the detailed returns of international banks over the decade, says that the major business of Japanese banks is to supply funds to their offices overseas, mainly their head offices in Tokyo.

But their range is not narrow. They are also engaged in cross-border lending and are prominent participants in the new "securitised" lending market.

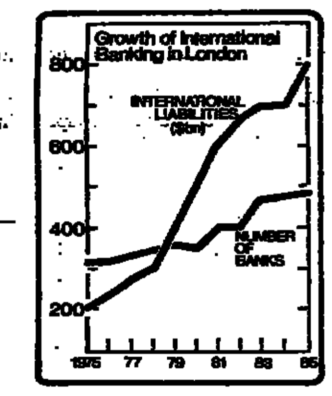
Japanese banks' holdings of floating-rate notes, which have brought about the securitised lending boom, are larger than those of all other nationality banking groups together.

Although US banks are still more numerous than the Japanese in London, the growth in their balance-sheet size has slowed down noticeably, mainly because they have reduced their activities in the low-profit inter-bank market in response to management's wish for greater profits and bank regulators' pressure for stronger capital ratios.

The bulletin refrains from making any judgments about the implications of the growth of Japanese banks – which has alarmed many European and US bankers in London.

In commenting that US banks are still market leaders in terms of innovation, the bulletin says: "If this is the case, balance-sheet growth may slow considerably as others follow the American lead in reducing use of the inter-bank market as a means of hedging interest and exchange-rate risk."

The Bank also believes that the reasons behind the securitisation of bank lending will remain for some time. These include banks' desire for greater liquidity, the quest for off-balance sheet earnings, financial deregulation and investors' preference for securities rather than deposits.



LAW AND SOCIETY

Changes that justice demands

By A. H. HERMANN, Legal Correspondent

THE TRIAL of English justice has been dragging on for so long that it is good to be reminded of the charges. In Weekend FT, last Saturday, Robin Pauley described in detail how the slow-motion process inexorably pressed more and more people into prisons—so that the more that are built, the more they are overcrowded.

On Monday, Sir Thomas Hetherington, the Director of Public Prosecutions, launching his understaffed and half-hearted prosecution service, added: "It is horrifying to note that 47 per cent of cases brought into the crown courts are thrown out by the judge without a trial." The police and the magistrates are clearly doing a lot of unnecessary work.

However, before continuing the trial of justice, let us hear the plea in defence of the system: it is no fault of the machinery of justice that there are so many more offenders. If teachers view discipline and authority as dirty words and parents leave children to their own devices, no wonder that the children enter adulthood convinced that everything goes. When they find no outlet for their energy and aggressiveness in the workplace and on the playing fields, they are easily tempted to emulate TV models of destruction and gang warfare, unrestrained by their betters who have dozed off in front of the box. Drugs? Yes, but alcohol is still a much more frequent stimulant of violence on the road, on the terraces and in the family. And while the media moan about the drugs, they happily advertise drinks.

Though the workload of the police, of prosecution, courts and prison is increasing for reasons for which the administration of justice is not responsible, the creaking and halting and failings of the system are not caused by its overload, which merely makes its structural defects more evident.

Over the past few years several detailed improvements have been proposed in government white papers and studies and in papers submitted by professional organisations. But it is no good improving the plumbing in a house which is about to collapse because of its structural faults. The fact that these proposals aim only at plumbing and decoration of a decrepit building is obscured by the language used which confines the discussion to a circle of professionals, riddled with vested interests

Let us try another approach, listing the structural changes that are unavoidable in broad and simple terms.

Offences which are not crimes. Many of these are now dealt with by the courts, but could be disposed of by an administrative fine in the same way as a parking ticket. All sorts of regulatory offences, some of which are committed innocently, are suitable for such treatment including the numerous offences of failing to provide information required from farmers and traders, infringement of VAT rules and of licensing, consumer and building regulations, of environmental rules, data protection legislation as well as minor forms of theft and fraud, such as travelling on the Underground without a ticket.

But, unlike the present parking ticket system the payment of unchallenged tickets would have to be secured. Motoring tickets could be entered in the Swansea registration files, preventing the transfer of vehicles unless fines are paid. Other fines could be secured on real property or business, or deducted from earnings at source.

Unknown and uncertain law. Unlike other countries, the UK struggles on without a criminal code. Whether certain behaviour constitutes a criminal offence has to be divined from a multitude of statutes and precedents. Not even the Law Lords can agree on the basic notions of English criminal law. More is needed than the timid version of a criminal code canvassed by the Law Commission. The tasks of both prosecution and the courts would be substantially simplified if concepts such as intent, negligence, recklessness, attempt, error, culpability and responsibility were defined uniformly for all types of offences; and if individual offences were defined in plain and clear language, avoiding fudged adverbs, of which "dishonestly" is the greatest villain.

Prisons are not for petty thieves. In an attempt to overcome the sentencing habits of UK courts, too soft on violence and too hard on theft, the Criminal Justice Act 1982 was designed to restrict custodial sentences. Prison sentences were to be given only to those unwilling or unable to respond to other penalties and treatment, or where imprisonment was necessary to protect the public. However, magistrates still think that a theft over £100 and any petty burglary deserves imprisonment. They bear a large part of responsibility for the overcrowding of prisons.

Attempts to streamline sentencing by central advice from a study board, as recently proposed, are unlikely to succeed where the 1982 act failed. Only if a criminal code sets upper and lower levels of sentencing and defines mitigating as well as aggravating circumstances can the deeply ingrained bias in favour of prison sentences for petty property crimes be overcome.

Prosecutors and public interests. The new prosecution service, which should become fully operational next week, has been provided with a code demanding that only prosecutions which are in the public interest and have a chance to lead to a conviction should be allowed to go ahead. One could ask for more: the legality of investigation and the safeguarding of the rights of suspects and accused are also matters of public interest and should be the concern of the service.

However, even the limited requirements of the DPP's code cannot be achieved as long as prosecutors receive the police papers late and have no right to speak to the suspect before they approve prosecution. In the magistrates' courts they will be easily manipulated by the police, an din the crown court they will not be allowed to appear at all—they will have to instruct practising barristers who will then spin out the trial in the old way.

The blindfolded defence. The duty solicitor in the police station is an important improvement but adequate defence in court is impeded by the practice of thrusting the case papers into hands of any available lawyer two minutes before the hearing opens. The juniors who lend themselves to such malpractice are supposed to learn in this way, the school fees being paid by the legal aid fund and the innocents whom they fail to defend properly. The overwhelming majority who cannot hire a lawyer would be better served by properly trained public defenders, as exist in the US. They could be full-time employees of the Legal Aid Fund.

The trial as a game of poker. "Keep your cards close to your chest, surprise and confuse the other party" is the precept which perpetuates the mediaeval trial by combat in English courts. But justice and efficiency require disclosure by both sides, in writing or at a pretrial conference of evidence and of the main line of legal arguments. The judge should have *and use* the power to eliminate irrelevant or inadmissible evidence and to call for additional evidence if necessary. He should take the lead in the examination of witnesses and rule out cross-examination questions which are irrelevant, vexatious, suggestive or merely put to bully and confuse the witness. The judge should also have the power to put a time limit on the speeches of prosecutors and defenders.

The lay judges. To be able to bring proceedings to a just conclusion rapidly, the judge needs to know as much about the law and procedure as the professionals appearing before him. The lay magistrate can manage so long as his main business is fining minor offenders who plead guilty. But once the scope of magistrates' courts is expanded, as proposed by the Government, by denying jury trials to petty thieves, fraudsters and hooligans, more professional judges will be needed. Lay magistrates, dependent on a solicitor's clerk, should be gradually replaced by stipendiary magistrates.

To put the character and liberty of the accused and the protection of potential victims into the hands of untrained, untested and often inexperienced worthies, nominated by local party organisations, is as dangerous as allowing learners on the motorway.

The main tasks are to make the law more certain and easier to understand, to separate the judicial process from investigation, to replace lay magistrates by professionals and to reduce drastically the role of the jury, along the lines suggested in the Roskill Commission's proposals. The legal profession protests that these are too radical—which means that they get to the roots of the problem. But if the tree decays because of its roots, there is no other way.

Nuclear plants must implement Soviet lessons

BY DAVID FISHLOCK, SCIENCE EDITOR, IN VIENNA

ALL LICENSEES of industrial nuclear activities in Britain must re-examine their operations in light of the findings of international nuclear safety exports who have studied the Chernobyl nuclear explosion.

The 11 British licensees include the Central Electricity Generating Board, British Nuclear Fuels, Amersham International, Vickers Shipbuilding and Engineering, Rolls-Royce and ICI.

Mr Eddie Ryder, the UK Government's chief nuclear inspector, has written to each licensee warning that one lesson of Chernobyl is the danger of complacency in running nuclear plants.

Mr Ryder has asked licensees to examine their activities in light of two key factors in the Chernobyl explosion, namely design weaknesses and over-reliance on the human factor rather than automation.

Britain's nuclear safety philosophy has always placed a heavier reliance on "engineered safeguards" rather than rules for operators, which were wilfully violated at Chernobyl, according to the Soviet accident report.

Mr Ryder, interviewed yesterday at the special conference of the International Atomic Energy Agency discussing the consequences of the accident, said nothing that had emerged from expert analysis was causing him specific worries about British plants, except for the danger of complacency – the attitude that "it can't happen here."

"We shall make sure that they tell us they have taken these things into account and list the reasons why they are content."

If their replies do not satisfy him, his nuclear inspectors will be making more detailed investigations as part of a continuous dialogue with nuclear licensees.

In the case of BNFL, he would expect the company to re-examine the activities of its Calder Hall reactors in light of the consequences of a major accident for the nearby Sellafield nuclear fuel factory in north-west England.

The Nuclear Installations Inspectorate is also in the final stages of producing a report on the safety of Sellafield, which it announced last February, following the latest radioactive leak at the plant. A dozen nuclear inspectors have spent three months auditing plant safety.

The Soviet Union has disclosed a nine-point programme for establishing an international regime for safe development of nuclear energy.

Following Chernobyl, it had come to the "clear and unambiguous" conclusion that the nuclear industry must develop under conditions of maximum safety for people and the environment, it says.

The accident had shown that wide-ranging international co-operation and joint efforts were necessary to guarantee nuclear safety.

Its nine proposals are: a system of early notification of nuclear accidents or breakdowns; a mechanism of mutual assistance in emergencies; agreement on siting, design, construction, operation and decommissioning, and waste treatment; data exchange on accidents; joint international development of new and inherently safer reactor systems; an international convention banning deliberate attacks on nuclear installations; protection of nuclear materials, compensation for victims of "material, moral and political damage" from nuclear accidents; and agreement that the IAEA should take the lead in implementing its proposals.

DEFIANT STEEL PLANS TO REASSERT HIS LEADERSHIP

Alliance leaders play down clash

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal leader, and Dr David Owen, leader of the Social Democratic Party (SDP), last night jointly reaffirmed their commitment to a continuing British role in the maintenance of a minimum European nuclear deterrent.

Their attempt to restate Alliance defence policy, in an interview on Thames Television's This Week programme, followed Tuesday's narrow vote by the Liberal assembly in Eastbourne against any nuclear successor to Polaris in a direct clash with SDP policy.

In a further divergence yesterday the assembly called for an immediate start to the phasing out of civil nuclear power though both parties agree on a moratorium on new development.

Mr Steel adopted a defiant style last night as both leaders played down the significance of the assembly. Dr Owen pointed out that it was merely consultative and noted that Mr Steel had a final veto on policy. They argued that what mattered was that the public knew that both leaders and their MPs were united and clear on defence policy.

However, in a crucial keynote speech to the assembly this afternoon, Mr Steel will have both to reassert his leadership and to regain the confidence of his activists.

Both leaders repeatedly stressed their agreement in an attempt to limit what they recognise is very serious political damage. The first of what is certain to be a barrage of Conservative attacks came yesterday in a statement from Mr Peter Walker, the Energy Secretary, who accused the Liberals of having no backbone and of not being able to govern their own party let alone a country.

Liberal Party assembly

Mr Steel said in the interview that the two parties would try to reach agreement faster than previously intended. Dr Owen argued that, given their wish to cancel Trident, the Alliance would have to tell voters that they would be willing to maintain a minimum deterrent, with a new European emphasis, until such time as arms control negotiations succeed.

Mr Steel admitted that after the two leaders' recent talks in Paris he had shifted his view and accepted that Alliance intentions should be made known before, rather than after, an election. In a softening of his recent emphasis, Dr Owen said that this need not involve decisions upon exact options or choosing between various weapons systems. The new emphasis of both leaders indicated the possible lines of compromise to be hammered out in the coming weeks.

Mr Malcolm Bruce, the party's energy spokesman in the House of Commons, yesterday urged the moratorium on the development of nuclear power and for research effort to be redirected to alternative energy sources. "Our ability to phase out nuclear power will depend on our success in developing alternatives," he said.

Thatcher attacked for 'blocking' sanctions

BY IVOR OWEN

ONLY a handful of delegates opposed an emergency resolution condemning the Government's "obdurate and immoral intransigence" in blocking moves for effective mandatory sanctions to isolate South Africa.

Mr Alan Beith, the Deputy Liberal leader and spokesman on foreign affairs, accused Mrs Margaret Thatcher, the Prime Minister, of having taken every possible step to thwart or undermine all the attempts so far made to apply real pressure to the Pretoria Government.

He also deplored the part played by the prominent West German Liberal politician, Mr Hans-Dietrich Genscher, in securing the exclusion of a ban on coal imports from South Africa, with the result that only a very limited sanctions package had been agreed by the European Community.

Mr Beith was applauded when he reaffirmed the Liberal Party's support for comprehensive and mandatory sanctions, including a ban on direct flights to South Africa.

He insisted that widely backed sanctions must be an essential element in the pressure applied to the Pretoria regime.

● Mrs Thatcher told the Commonwealth Parliamentary Conference in London yesterday that she detested the system of South African apartheid and wanted it demolished as soon as possible.

Canon aims for 40% market share with new range of copiers

BY DAVID THOMAS

CANON, the Japanese office equipment and camera manufacturer, yesterday launched 10 new copiers, including two top-end machines which it hopes will gain a 40 per cent market share in the UK within a year.

Eight of the new models are to be made at Canon's factories in West Germany and France which have been expanded as a result. The company, which does not make copiers in Britain, is considering moving some research and development work to the UK.

Canon, which claims 30 per cent of the UK copier market including personal copiers, has so far concentrated on the medium and low volume end of the market.

Mr Yasuyuki Matsuda, marketing director for Canon UK, described the launch as "by far the largest and most significant copier launch in the 10-year history of our company in this country." Two of the new models, costing £9,695 and £11,995, are aimed at the higher-volume, 70-copy-a-minute market where Rank Xerox is likely to be Canon's main competitor.

Mr Matsuda said yesterday that Canon hoped to capture 40 per cent of new orders in this higher end within a year. The new models are to be launched on the continent shortly.

Output at Canon's Giessen plant in West Germany is to rise from 2,500 to 7,000 copiers a month, with the plant size almost doubled and 130 jobs created on top of the 300 already there.

A new plant for the production of copier cartridges is planned at Canon's French factory.

A 15.8 per cent anti-dumping levy was recently imposed on Canon and other Japanese manufacturers by the European Commission.

Its new high-volume machines will not attract the duty, which applied only to medium and low-volume machines, although Canon said yesterday that its move into high-volume machines had been planned before the duty was imposed.

Canon denies the charge of dumping but has not yet decided whether to appeal against the duties. It is engaged in a continuous process of trying to increase local content at its German and French plants because it thinks this will help avoid anti-dumping charges in the future.

Challenge to secret political briefings

BY PETER RIDDELL, POLITICAL EDITOR

URGENT discussions will now take place among the parliamentary lobby journalists, the organisation of political journalists at Westminster, following the Guardian newspaper's decision to challenge the traditional relationship of reporters with the Prime Minister's office in Downing Street.

The current position, reaffirmed by Mr Bernard Ingham, the Prime Minister's press secretary, is that contact is through the twice-daily briefings given by him.

These are unattributable in that neither Mr Ingham nor Downing Street are identified as the source of the information, although in practice the attribution has become increasingly explicit in recent years.

However, Mr Peter Preston, the Guardian editor, announced yesterday that he would instruct his correspondents on the return of parliament next month to identify the source of information as a Downing Street spokesman, or Mrs Thatcher's spokesman.

Mr Ingham has replied, saying he has no plans for change and it is a matter for the committee of lobby journalists.

The timing of the Guardian move has been affected by the forthcoming launch of the Independent newspaper, which has decided to boycott unattributable briefings and draw conclusions from what is reported from them by the agencies and other sources.

Such unattributable briefings are only part of lobby membership, although they have caused the most controversy in recent years. The most important aspect is the access given to the facilities of Westminster, not fully available to the public, under accreditation organised by the Commons authorities.

The Guardian's move will undoubtedly intensify the debate over reform which started 18 months ago when the parliamentary lobby journalists agreed to put briefings by the leaders of the Opposition parties on an attributable basis.

However, Mr Ingham declined to go in this direction, partly because of his position as a civil servant in the Prime Minister's office.

There is now a growing group of parliamentary journalists which favours change along the lines suggested by Mr Preston. Other newspapers are understood to be considering similar instructions to their political staff.

Executives named for Eurotunnel

By Lynton McLain

THE MANAGEMENT team for Eurotunnel, the joint Anglo-French group chosen by France and the UK to build and operate a £2.6bn rail tunnel under the Channel between England and France, was announced yesterday. The pathfinder prospectus for the sale of £200m of shares in the group is to be published today.

A Frenchman, Mr Jean-Loup Dherse, 53, was appointed chief executive of the joint board of Eurotunnel. He is a former member of the main board of RTZ and for the past three years has been vice president for energy and industry at the World Bank in Washington. Mr Dherse will also chair the executive board. He will be responsible for the day-to-day management of Eurotunnel.

Mr Michael Julien, 48, the former executive director for group finance and planning at the Midland Bank, has been appointed deputy chief executive of the joint board and the executive board, responsible for finance, planning and law.

Mr Claude Lienard has been ıamed financial controller. He was reviously financial controller of ignier Schmid Laurent. Mr Peter atzer, former controller of Esso xploration and Production UK and rmer treasurer of Esso Petroleum ıs been appointed treasurer.

Mr David Wilson, formerly group cretary of British Land, has been pointed company secretary.

Ford set to double efficiency

By Helen Hague

FORD of Britain is on target to double the productivity levels achieved in 1984 by the early 1990s, Mr John Hougham, the company's personnel director, said yesterday.

Efficiency improvements negotiated as an integral part of the two-year wage deal struck with manual unions in February have already yielded marked increases in productivity in British plants, he said.

By the end of the year, vehicle output per employee would have increased 50 per cent on 1984 figures, and by the end of 1987 the company expected to raise the improvement to 75 per cent.

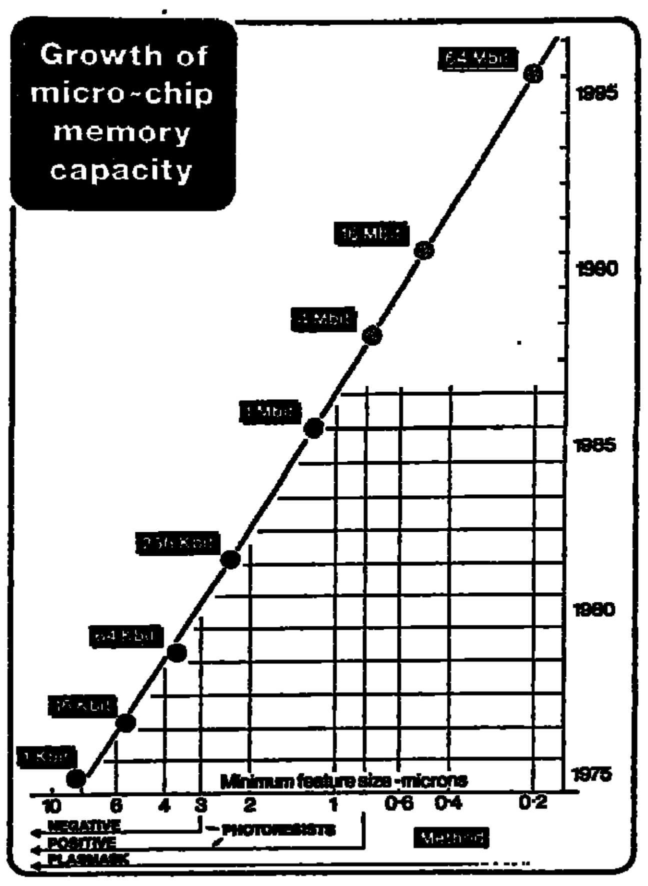
Manual workers received a 5.5 per cent increase on basic rates this year, with a further 4 per cent for radical changes in working practices. In November they will receive a further 6 per cent as the final stage in the two year pay and productivity package.

Under the deal, the number of job titles in British plants has been cut from 508 to 58 and ineffcient lines of demarcation have been abolished among skilled craftsmen.

There remained a productivity gap between Ford's British and European plants, but British plants had achieved higher increases in productivity than their European counterparts this year, he said.

But the presence of Nissan posed a challenge to Ford to increase productivity levels further.

TECHNOLOGY



Belgians close microchip memory gap

Tim Dickson, in Brussels, reports on a chemical breakthrough in semiconductor manufacturing

IMAGINE THE width of a human hair. Divide it by 100 and then halve the result. If you give up, you can always go back to the number you first thought of!

The exercise may sound a bit far fetched but it is relevant to understanding the purpose of a new high technology chemical product just announced by the Belgian company UCB.

Called Plasmask and linked with a new microchip production process, it has, says the company, the ability to considerably increase the memory capacity of the current generation of integrated circuits.

That is certainly a bold claim given that chip manufacturers the world over are dedicated to paying large sums of money in the search for ever greater miniaturisation. But while UCB admits it is still early days and that no customers have yet been signed up for the new product the intense interest which it is attracting from Tokyo to California has raised high expectations for its future at the company's Brussels headquarters.

A potential Japanese customer said after a recent presentation of Plasmask, "If it does what they say it does, it is incredible."

Developed in close co-operation with IMEC, Belgium's Inter-University Micro-Electronics Centre on the campus of the University of Leuven, Plasmask is a new photoresist, the chemical responsible for the patterning of the layers which are built up and interconnected onto a silicon wafer to form a microcircuit. Each layer requires the selective incorporation of tiny amounts of impurities into specific regions of the semiconductor substrates and it is the role of the resist to protect the rest of the substrate when this treatment is carried out.

UCB's latest move into the electronics field—now formalised through the creation of a subsidiary capitalised initially at BFr 100m (US$2.35m)—is perhaps the most ambitious chapter in the group's five-year-old strategy to develop a range of chemical products with a higher unit price and more added value. Over this period, the research effort of the chemical division, which represents around 42 per cent of total group turnover, has been stepped up from BFr 115m to almost BFr 300m and is now equivalent to 2.5 per cent of total group sales.

UCB has for a long time been supplying resins for the manufacture of printed circuit boards, experience which has helped develop its new interest in integrated circuits. The company has already signed a licensing agreement with the Japan Synthetic Rubber Company of Tokyo for the marketing, packaging and distribution of that company's range of already proven photoresists. But the significance of Plasmask is that it is an original UCB product.

The development of Plasmask, however, entails more than the usual degree of risk, especially given that 90 per cent of potential customers lie outside UCB's traditional European selling base. UCB, of course, is no stranger to exporting with some 75 per cent of turnover going beyond the Belgian frontiers. But winning the confidence of major customers on the far side of the world—and not being mistaken as it was recently for the Union Bank of California—is quite another matter for a company not large by international standards.

At this stage it is impossible accurately to predict the potential size or value of the market—Plasmask could be priced at anything between BFr 4,000 (US$95) and BFr 50,000 per litre—but UCB is tentatively hoping to sell a few hundred litres in 1987, building up, if all goes well, to tens of tonnes in following years.

The key to the new UCB photoresist—or chemical resin—is its ability to increase vastly the number of electronic components on the surface area of a chip—reducing the minimum distance separating two lines on a circuit from around 0.8 of a micron which is the effective limit at the moment (one hundredth of the width of a human hair) to 0.4 of a micron. The result, the company claims, should be integrated circuits incorporating several tens of millions of units, compared to the 1m or so on the most developed systems at the moment.

Conventional photo lithography in chip manufacturing, UCB maintains, is at best limited to obtaining 0.8 of a micron, the resolution needed to produce 4 Megabit DRAM chips which are now under development. The Belgian company claims that experiments with other techniques (deep ultra violet, X-ray and electron beam lithography) being carried out for the production of chips with higher levels of integration have either been unsatisfactory or involve manufacturers in the purchase of excessively expensive equipment. The benefit of the Plasmask resist is that customers can continue to use their photolithographic production lines—an important advantage given that exposure equipment is one of the most expensive investments in a production line.

Plasmask is linked in chip manufacture with a production process entitled Desire. This involves some conventional techniques but before development an additional treatment is carried out by submitting the exposed wafers to a silicon containing gas. This is selectively absorbed into the exposed parts only, hence Diffussion Enhanced Silylating Resist, for Desire. Photolithographic development is carried out after the silylating stage.

UCB admits that it would not have been possible to develop the Desire process without IMEC, which, following a joint public/private sector investment equivalent to $60m, is equipped with highly sophisticated lithographic and processing equipment.

Further development of Plasmask is being carried out under a joint Eureka (European technology initiative) project with IMEC and the British company Plasma Technology.

Fanuc holds machining position

MACHINE TOOL workpiece position detection has been introduced by Fanuc, the Japan-based machine tool company.

Normally, if a machine tool control has lost its power supply during a machining cycle, due to an electricity cut or a fault, the machine has in effect to be re-calibrated from zero-position so the tool can re-learn the position of the workpiece.

To avoid the resulting delay, Fanuc has put absolute position detectors on the servo-drives for the machining axes. This enables work to recommence immediately on start-up. The system remembers the last working position of the axes and automatically returns to it. In the UK Fanuc is on 08956 31180.

OPTICAL DISK systems are to be offered by US electronics group Bell and Howell from January 1987, at a price expected to be in the £45,000 region.

The company has recognised one of the difficulties with the ultra-high data storage capacity of optical disk, that of getting the data from existing papers into the system in the first place. It will offer a digitiser option which will allow A4 documents to be scanned at over 60 pages a minute.

Connection to mainframe computers will also be possible and the company, in addition, is to offer computer-assisted handling, storage, retrieval and distribution of data from the disks. In the UK Bell and Howell is in Ashford, Middlesex on 07842 51234.

WORTH WATCHING

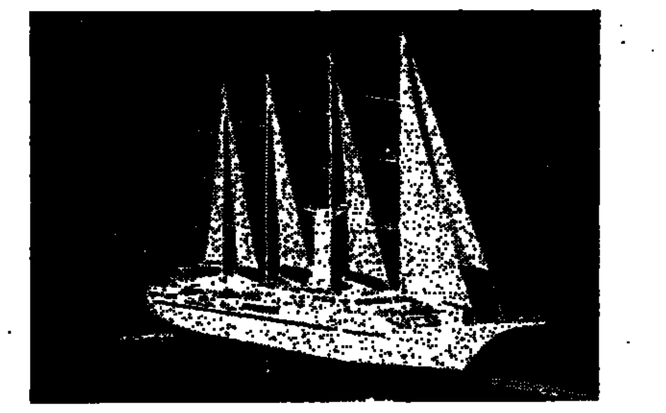
Edited by Geoff Charlish

OFFICE COMMUNICATIONS between facsimile machines and personal computers is being developed by Pitney Bowes of Harlow, UK (0279 26731).

Using a model 8100 facsimile machine and some software caled Path 1, text and graphics can be sent direct to an IBM personal computer or a compatible model. There, the material can be displayed on the screen, merged with word processing documents, edited and if necessary sent back to the facsimile machine for transmission elsewhere. A further development, Path 2, will allow transmission between remote PCs and fax machines over ordinary telephone lines.

DRAWING TEXT details generated in one language, say English, on a computer-aided design system are automatically converted into another language using a system called Dorycrest developed by Interactive Drawing Office Systems of Worcester, UK (0905 26383).

Offered as a combined hardware and software package, Dorycrest is an interface unit placed between CAD systems and pen plotters. It allows CAD drawings to be prepared using English text and measurements which it converts into French, German, Italian, Spanish or Arabic, with correct technical terminology. The system uses an IBM-compatible personal computer.



Wind Star: Capable of one-man operation.

French computers set sail

HIGH-TECH SAILING ships from France are about to go into commercial service in the Bahamas, where a robot ship called Wind Star will soon start cruising with room for up to 170 passengers. At 134 metres, it is twice the size of the famous British tea clipper Cutty Sark, but is capable of one-man operation.

Built by Societe Nouvelle des Ateliers et Chantiers du Harve, the ship has four 50 metre masts carrying six large polyester sails with a total area of 2000 square metres. These are set by winches controlled by the ship's computer which also positions the hydraulically powered jibs to suit the wind. In addition, two retractable aerofoils act as stabilisers. But if the wind should drop, a diesel electric unit takes over to drive propellers. The makers are in Le Harve on (35) 266404.

Plastic perfection from Norway

AUTOMATIC INSPECTION of extruded plastic and rubber products can be carried out with a scanning and computer system from Norwegian company Data Optics (PO Box 47, N-1341, Bekkestua, Norway).

Using solid-state image sensors the system scans 4000 lines a second and can detect defects down to 0.02 mm long. Typical detectable defects include holes, cracks, faulty braiding, diameter deviations, discolorations and missing product markings.

When a defect is detected, the system alerts the operator and will handle the defective part according to customer specified routines.

COMPUTER-AIDED design specialists in the US, Intergraph and McDonnell Douglas, have introduced powerful new workstations on which to run their design, manufacturing and engineering software.

Intergraph, rated number two in world sales by Daratech, the market research group, has increased the power of its Interact and Interpro workstations with the new Clipper microprocessor from Fairchild Semiconductor Corporation and the use of Unix operating software. More complex design and engineering tasks can be performed with quick user response on the high-definition colour screen. Prices start at £25,000, with 5 MIPS (millions of instructions per second) of computing power.

For smaller engineering companies, McDonnell Douglas is to offer its Unigraphics CAD/CAM software on the Digital Equipment VAXstation 2 stand-alone computer, while for larger organisations it is making use of Tektronix terminals that work into a larger "host" computer. In the UK, Intergraph is in Swindon on 0793 619999 and McDonnell Douglas is in Woking on 04862 26761

COMPUTER-BASED training programs can be developed by anyone, without programming knowledge, using a new software package called MAS (micro authoring system) put on the market by Control Data (CD), the US-based computer company.

MAS runs on an IBM personal computer. CD says that its "user" friendliness" enables any teacher or instructor to start developing high quality training material after just a few hours of self-instruction. Among the facilities are automatic report generation and automatic statistical analysis on a single student or a group

The software costs £995 and in the UK more information is available on 01 240 3400.

CREDIT CARD validation terminals from Racal in the UK are being used in tea retail outlets in Jordan.

When a shopper present a credit card in payment for goods, the assistant "wipes" the card through the terminal's magnetic strip reader. The terminal then automatically calls the card company's computer and in a few seconds the card and the amount are approved—without the assistant having to check through a paper list of credit defaulters.

Behind the Jordanian move is Visa card issuer Petra Bank, the second largest bank in the country.

NOTICE OF REDEMPTION

Amoco Company

Guaranteed by Amoco Corporation
(Formerly STANDARD OIL COMPANY)
(an Indiana corporation)

[illegible]

[illegible]

AMOCO COMPANY
By: THE CHASE MANHATTAN BANK, N.A.
as Trustee

Dated: September [illegible], 1986

HOLDERS OF THE DEBENTURES PRESENTING DEBENTURES FOR REDEMPTION TO THE NEW YORK PAYING AGENT WILL BE REQUIRED TO COMPLY WITH THE INTEREST AND DIVIDEND TAX COMPLIANCE ACT OF 1983 ON OR BEFORE THE DATE OF SUCH PRESENTATION. NON-COMPLIANCE MAY RESULT IN WITHHOLDING OF 20% OF YOUR PAYMENT AND/OR A $50 FINE IMPOSED BY THE INTERNAL REVENUE SERVICE.

NOTICE OF REDEMPTION

AKTIEBOLAGET VOLVO

U.S. $25,000,000 8 per cent. Bonds due 1987

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(c) of the Terms and Conditions of the above Bonds, the Company has elected to redeem all such Bonds at par. The date fixed for redemption is 28th November, 1986. The Bonds will accrue interest until 28th November, 1986 and thereafter the Bonds will cease to accrue interest. The Bonds will be redeemed upon presentation and surrender together with all coupons maturing after 1st September, 1986 at the office of the Paying Agents listed below. The coupons for interest due on or before 1st September, 1986 should be detached and collected in the usual manner.

Bankamerica International
41 Broad Street
New York, NY 10004

Hill Samuel & Co Limited
100 Wood Street
London E.C. 2 England

Deutsche Bank AG
Taunus-Zentrum Eschborn
Postfach 5223
D-6236 Eschborn 1
West Germany

Skandinaviska Enskilda Banken
S-106 40 Stockholm
Sweden

Svenska Handelsbanken
Blasieholmstorg 11
S-103 28 Stockholm
Sweden

Banque Bruxelles Lambert SA
Cours Saint Michel 60
B-1040 Brussels
Belgium

Kredietbank SA Luxembourgeoise
43 Boulevard Royal
Luxembourg

Notice

Withholding of 20 per cent of gross redemption proceeds of any payment made within the United States is required under United States Federal Income tax law unless the United States Paying Agent has the correct taxpayer identification number (social security number or employer identification number) or an exemption certificate of the payee.

BANKAMERICA INTERNATIONAL, NEW YORK
(Principal Paying Agent)

Dated September 25, 1986

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

US$35,000,000
9¼% 1976/1988 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the account of the Corporation during the twelve-month period from September 15, 1985 to September 14, 1986.

Amount outstanding: US$27,451,000.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
September 25, 1986

Legal Notices

IN THE MATTER OF
THE COMPANIES ACT 1985
AND IN THE MATTER OF
FIAT CREDIT EUROPE PLC
(IN MEMBERS' LIQUIDATION)

NOTICE IS HEREBY GIVEN that the Creditors of the above-named company, which is being voluntarily wound up, are required on or before the 10th October 1986, to send their names, addresses and particulars of their claims to the undersigned, the Liquidator of the said company, at " Est-Ouest " 24 Bd. Princesse Charlotte, Monte-Carlo, MC 98000, Monaco, or in default thereof they will be excluded from the benefit of any distribution made before such claims are notified.

Date: 15th September 1986.
ANTHONY FROST HANCOCK,
Liquidator.

The Ministry of Finance of The Kingdom of Thailand

U.S. $85,000,000

Floating Rate Capital Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the first three months of the Interest Period ending on 30th March, 1987 has been fixed at 6 1/16% per annum. The interest accruing for such three-month period will be U.S.$3,910.16 in respect of the U.S.$250,000 denomination and will be payable, together with the interest for the remaining three months of the said Interest Period on 30th March, 1987, against surrender of Coupon No. 6.

26th September, 1986

Manufacturers Hanover Limited
Reference Agent

MANAGEMENT SPECIAL: The Battle for Allied-Lyons—part 3

Christopher Parkes, the 'fly-on-the-wall', follows the bid's route to a monopolies reference

Capturing the high ground

DAY 23
Tuesday, Nov 12 1985

Communications Council

With the offer document only six days away, Hugh Richardson was being diplomatic, even comforting. "It could be a damp squib," he suggested. "They have made all their jibes, so I don't think we can expect new stories . . . just new evidence. The financing section is likely to attract lots of interest in the serious papers and we should possibly concentrate on that."

Saatchis, meanwhile, was having its own problems. The Takeover Panel, irritated by the welter of increasingly contentious advertising it was having to vet from both sides, was clamping down. It was insisting that all claims were thoroughly substantiated.

"We have been trying for five days to get approval on the Tetley bitter ad. They are being extraordinarily careful at the moment," said Michael Dobbs. Although, he added, Elders appeared to be getting away with murder.

Pratt Committee

The committee was unhappy with a new Warburgs press release listing Allied's number one brands. Linnett was all for hauling them in for a roasting over the defence document saga. "I sometimes wonder if we are fighting Elders or Warburgs," he said.

"They are sparring partners to sharpen our skills," Pratt volunteered. "I'm offering a cash prize to the first person to say something nice."

There were no takers. The management conference was still widely viewed as a waste of time, the committee men reported.

John Mills broke the stalemate with a report on the lobby. It was running smoothly at last, although Leon Brittan's advisers were being awkward. They thought the Monopolies Commission might not be the best tactic and Mills had been contacted yesterday to outline Allied's case. "I said, Great Britain Ltd."

"He asked: 'What about Hanson Trust buying in the US?'"

"I got the very clear impression that the DTI may do nothing, sit back, let the bid go through, see what happens and then learn any lessons needed should another attack on GB Ltd. appear in the future . . ." Gloom descended.

Spirits were not lifted by news that Elliott's men had nobbled a group of members of the European Parliament. Although this was not a serious blow, Allied's men felt they had missed another trick.

"Warburgs has warned us never to sit back and think we have covered everything," said Mills. "I think they may have been right."

Pratt tossed 10p across the table. "Your prize for saying something nice . . ."

It was now 1 pm. The Pratt Committee was crestfallen, making no headway, and elected to summon Sir Derrick for a heart-to-heart in the afternoon. The balloon was about to go up.

* * *

Bernard Drury, a young accountant from the Burton brewery, passed through Allied House on his way to Australia. His late-in-the-day mission—to delve deeper into Elders—was promptly dubbed "looking up Elliott's trouser leg."

* * *

Sir Derrick strode in thinking aloud. "Poor old Halstead (the ousted chairman of Beechams). I wonder if there's anything in there for us. It might be a good time to take some of their operations. . . ."

Pratt was preoccupied. The draft press release presented by Warburgs was unsuitable, he says. It was too dry and academic. Warburgs came up with it late, close to release time without consulting the committee.

"We think Charles Barker is letting them dictate too much. And we, the Allied people, are letting them walk all over us."

Sir Derrick moved smoothly into the conciliatory mode. "Every time you have a problem, I try to resolve it," he said, faintly scolding. "It is in the culture of Warburgs to see themselves leading the defence. They are full of self-confidence. How do we get them to see that we are not so easily overridden?"

Pratt demanded a more positive general approach to Warburgs. "We don't want to fight these battles issue by issue," he said. Could Jasper Archer, the Charles Barker man, take a more prominent role?

Sir Derrick defended stoutly: "You couldn't have a better chap than Jasper. Why not have a word with him?" The argument continued round in circles. No give and take, arrogance, secrecy. The more the grievances and frustrations tumbled out, the more firmly Sir Derrick hardened his heart.

"Warburgs do hold their cards very close to their chest," he admitted. "But if one has confidence in them (pause) then it shouldn't really matter. Should it?

"They have done it all before. Perhaps they are rather like a surgeon who doesn't want to tell the patient too much in case it throws him into a state."

Archer was summoned from the ante-room. Sir Derrick's tone changed. "The committee wishes to speak strongly on Warburgs . . . there is a feeling of some high-handedness," he charged.

Archer ducked. "We have certainly had problems . . . but I think we will be far better off fighting the enemy rather than bickering among ourselves," he said. No, he did not like the draft release, either.

"This is not bickering," Sir Derrick chided. "It is a matter of how we can improve the way we work together."

Pratt was disheartened. "We fight the battles along the line and we tend to lose them," he confessed.

Assembled again, the committee met Seligman. There was more trouble brewing. Information sheets Allied had sent out to its employees had found their way to the Takeover Panel, which was taking an interest.

"In future I'll vet it and lodge it with the panel. Please religiously send me copies of all employee communications," he asked. It was not all one-sided, however. He believed Elders was being given a rough ride by the City watchdogs. Warburgs had written to the panel stating what it expected to see in the offer document, "and the panel is giving them a hard time."

But it was not enough to improve the mood. The discussion fizzled out.

The committee, left to its own devices, held a post mortem. "We mucked up our presentation to Sir Derrick," Pratt said. Archer was held to be over-defensive, taking the criticisms personally.

The day dragged on. Warburgs, alerted to the angst, had been on the telephone. "They partly rubbished me," Pratt said, "but there was some concern about the way we felt."

DAY 29

The Offer Document

The mood at Allied appeared to have spread to Elders. John Elliott, peering into a TV camera and wagging a can of Fosters, crackled from a screen. "It seems to me there is a lot of bitterness going on with this bid," he said.

It was quite clear that Allied was lobbying hard for a monopolies reference, he disclosed, admitting to "a few informal contacts with members of the Government."

Yes, the bid structure was complicated. "I hope our lawyers are there to explain it to you," he said cheerily. Same old John D. "Time I had a Fosters. Like an angel crying on yer tongue."

A Hill Samuel type accosts the fly. "Do I know you?" he inquires, suspiciously. Saatchi's spook, undetected, is grilling an Elders director in a corner of the room.

Back at Allied House, the offer document was being scrutinised and instant reactions and ripostes were being telephoned to key shareholders.

Pratt was sitting down with Michael Valentine. The banker was clearly making an effort to explain thoroughly his tactics, and calm appeared to have been restored.

Pratt was still fretting about the press releases. "Our fundamental approach is that we don't know all the answers," Valentine said. "Any help we can get is gratefully accepted." Pratt pressed on. A design for press release notepaper had been approved five times by Sir Derrick and yet Warburgs kept refusing it. The defence document cover was yet to be agreed after many hours of work. Why was there not more co-operation?

Valentine explained. Warburgs had six people working virtually full time on the bid. A bigger team would be unmanageable so the six had to bear all the pressure. "We may tend to cut corners, but there is simply not time to produce drafts and circulate to all your committees," he argued.

"We are not working well together," Pratt insisted.

"This is a very emotional situation," Valentine conceded. But the air was clearing. "We've all got to work together as well as we can." Pratt nodded.

4 pm. Shareholders Policy Committee.

The atmosphere was again strained. Harry Henderson, Cazenove's man, put it to them straight: "I want detailed answers to every claim in the offer document. The institutions are already saying this is a good document. How are you going to answer this?"

"By ignoring it," said Richardson. Elders had lived up to Elliott's reputation. The document was filled with misleading information, he said; Allied was compared unfavourably with Distillers when there was no comparison between the two groups. "They are not comparing like with like. What can we do about it? We can brief you, but we are not publicly going to demolish all these points because we can't," he stated.

"We should try to get on to statistical ground that we want to fight on, rather than his."

They had been outflanked again. The figures Elliott had chosen to support his charges against Allied were carefully selected and in some cases impossible to challenge satisfactorily.

The defenders could not have expected things to be otherwise.

The bankers and Allied's men looked nonplussed. Their defence document was due out in about a week. The cover was still giving problems and selecting the contents seemed likely to prove a nightmare on present evidence. Henderson looked agitated.

John Clemes (left), finance director, and Sir Alex Alexander, vice-chairman: grappling with Allied-Lyons' share price

DAY 30

There was some delight that in spite of Henderson's claim that Elders had made a good showing with its offer document, it had been given a poorish showing in the press. There was less enthusiasm over an FT editorial which argued that the case should not be referred to the Monopolies Commission.

Pratt was depressed. Over a beer he confessed he was beginning to accept that the bid might not be referred.

* * *

The dreaded defence document cover—an artistic rendering of a full claret glass —came up in colour proof form. "It looks like an upturned bum," said the helpful Terry Dailey from Saatchis.

* * *

The feeling appeared to be that the referral issue was out of Allied's hands. Sir Derrick reported that he had found Norman Tebbit "steely."

As the Pratt Committee assembled for a later meeting, the members had undergone a curious change of mood. They seemed cheery, even cocky, businesslike and eager to get on, polite and helpful to Seligman. They had convinced themselves that the bid would not be referred. This meant they had a deadline and a defence document to write. The end was in sight.

DAY 31

Communications Council

A message arrived for John Clemes at 9.10 am. Allied's share price had jumped 12p to 302p after closing 7p up at 290p. Clemes scampered out. Sir Derrick looked flustered. Within two minutes the finance director was back, unruffled. An institution had come in with a buy order at up to 295p. It was badly mishandled, Clemes opined. "The market is very sensitive." Half an hour later word came that the price was back where it started.

Another interruption as Sir Derrick and Sir Alex trooped off to meet Leon Brittan, and the meeting got under way. There were, at last, answers to the offer document charges. One by one, Allied's men plied Henderson with all the information he needed. As they talked they laid the foundations for the contents of the defence document. Things were moving.

DAY 32

Defence Document Group

A rough proof of the defence document sat on the table. Eight men sat down in the new atmosphere of goodwill and determination to check every number, every claim, every dot and comma.

Seligman, his jacket off, revealed monogrammed braces and a sunny nature. The atmosphere throughout Allied House seemed calmer, more purposeful.

DAY 36

Shareholders Policy Committee

The mood lasted over the weekend. Clemes had a few notions on how to stiffen Allied's case at meetings with the institutional investors. The OFT's interviewers had seemed particularly interested in the merits of Allied as a group rather than its constituent parts. There was a good case to be made, he felt.

Progress. Valentine posed questions. Clemes replied. Henderson took notes, and the case for Allied began to take shape.

The referral odds had changed and the smart money was now on the OFT referring the bid to the MMC, Henderson reported. The news had no visible effect. Everyone was too busy.

DAY 37

Pratt Committee

Mills, lobby man, reported fresh activity as the odds swung towards a referral. Although the OFT appeared to favour the notion, he said the Department of Trade and Industry still did not seem enthusiastic. He was lining Sir Derrick up to give Nigel Lawson a further prod.

Elliott had been busy too, commissioning estate agents to value Allied's 7,000 pubs and visiting his target's suppliers to tell them they would have nothing to worry about when he took over.

DAY 38

Sir Derrick was heartily congratulated on the good press coverage of his handsome interim profits. "They might be the most important set of figures we have produced in our lives," he remarked.

DAY 39

Allied's massed management gathered in a Birmingham hotel with no sign of any of the dissent reported from the divisions. Sir Derrick, well-rehearsed, promised the 650-strong audience "this will not be a slick polished performance. . ." And rolled on into a slick, polished exposition of the history, the facts and the prospects.

He comforted them. "There may come a time when he makes a bid so high that we may be unable to resist it. At the moment he is nowhere near. He will probably have to borrow £2.5bn to have any chance of success," he said.

Valentine chivvied them: "You are the top 1 per cent of employees of this group. You are the people described as awful, appalling, tired and antiquated. I don't suppose you like it very much." And he warned them, in the case of a referral, they might face another nine months of uncertainty and demands for information from head office.

Dobbs from Saatchis made them hoot with a bad-taste ad which failed to make it through the vetting system: "Our forefathers thought the best place for an Australian was behind bars . . . we don't agree."

Questions had been planted to prevent any embarrassing silences, but there was no need for them. The audience had enough of its own, hard ones, too, all answered without a waver. Sir Derrick was feeling his oats and stirred the crowd to a startling spontaneous roar of applause. He looked as though he might have shed a tear, but it was probably the lights.

With a repeat performance, the institutions would be a walkover.

DAY 43

Shareholders Policy Committee

Elliott was at the stake again. A batch of colour prints of a truly grotty Carlton pub in Australia was passed round. Jasper Archer, public relations man, pocketed them. "We could get them copied in black and white," he suggested. "It will look even worse then. Maybe we can use them sometime."

Clemes was particularly shocked by the pictures. "Just typical of the sort of place you wouldn't take a lady. There's nothing been done since they stopped the six o'clock swill," he wagered.

But today was the deadline for completion of the institutional presentation. They were not even half way there. Another run-through with more bright spots picked out for special attention. Slemes sighed: "We've got to get on with this. I shan't believe any of it until it's written down."

DAY 44

Communications Council

The defence document, published yesterday after endless hours of writing and rewriting, had gone down well with business page editors. A compromise, it bore Allied's favoured claret-glass cover embellished with the Warburgs slogan: A great British company.

The Takeover Panel's demand for absolute precision and decorum in the advertising campaign, channelled through Warburgs to Saatchis, was becoming increasingly disruptive. The institutions' reported dislike of expenditure on such fripperies was also causing trouble.

Dobbs volunteered to try to break the impasse by confronting the panel with a selection of drafts and talks them over. Valentine, however, was flatly against it. "Just send them in and let them get on with it." His own vetting system was in any case pretty thorough by this stage in the game.

A faintly "knocking" draft, representing the world as an open-ended money box with coins dropping into the UK and falling out into an Australian hand appealed to Valentine, but he felt the institutions would find it too trivial.

"We can't assume these fund managers have a very strong sense of humour," he cautioned.

"I'm the last person to know," said Sir Alex, ducking. "You can assume that if they have an opportunity to be sanctimonious some of them will," Valentine concluded.

Martin was more concerned about grittier matters. When was Allied going to counter the rest of the jibes and untrue claims in the Elders document?

Valentine promised a press release which "will tear some more guts out of the offer document."

Later, at the Pratt Committee, chairman Tony Pratt mentioned a City rumour that Elders might increase its offer by 100p to 355p, using it as a spur to his flagging forces. As usual, he needed ever more detailed and water-tight facts for the planned visits to leading shareholders.

A draft of the press release promised by Warburgs was handed round. The committee dissected it with some scorn. Again, neither they nor Charles Barker had been consulted. A dry, dense and technical offering, well larded with figures, it raised a series of pertinent questions about the stunning complexities of the Elders adventure.

"We think it needs to be sexier," Pratt said. The import of the briefing document, as Warburgs chose to call it, was far from clear except on the most careful reading.

Seligman suggested that Archer should call the six "most important journalists" and help them through it. Archer thought they could probably manage well enough without coaching.

DAY 46

Shareholders Policy Committee

Nerves were jangling a little. The FT had reported that the OFT's advice on the bid went to Leon Brittan yesterday. The Takeover panel had shot down another Saatchi ad which made rude noises about "Brisbane Cream Sherry." Most of the defenders appeared to be going down with colds.

However, Clemes had wanted something in writing for the institutional roadshow, and there it was on the table before him. Allied had also selected Richard Martin and Michael Jackaman to do the rounds with the chairman.

Henderson, with something to work on at last, was at his most animated. The Allied team, too, was fully alert. The demands of the ceaseless inquiries had made them examine their business in minute detail. They were beginning to like what they found.

Their probings of Allied's affairs and the challenges thrown at them — every statement was greeted with a "why?" or "how?" from Warburgs or Cazenove—were opening their eyes to fresh possibilities, past mistakes, present strengths.

DAY 47

Pratt Committee

The bid had been referred to the Monopolies and Mergers Commission. Pratt's men seemed not to know whether to laugh or cry. On balance, they seemed content enough with the news. They had knocked a pretty big coconut off the shy.

Pratt himself, feeling relief, admitted that he had been getting "very, very tired." More than most, he had been through the mangle. Stuck in the centre of the defence he had been under constant pressure from his seniors, Warburgs and Cazenoves. He had struggled long and hard in his role as whipper-in among the lower orders, squeezing endless reserves from the most inaccessible corners of Allied's empire.

For once his wit and good humour seemed to have failed him. "The shareholders' presentations were not up to scratch," he said. "This gives us a chance to get our act together. We are on a plateau. Where do we go from here?" he asked.

Warburgs had the answer. The reward for winning the monopolies reference was even more work: "two months of hell and four months of not-so-hell."

DAY 51

Communications Council

Sir Alex nominated Pratt as the man to take charge of a reformed Communications Council. He wriggled briefly, and protested: "I've no advertising or PR experience." The investment controller had, however, held a central position throughout the defence to date, and he could not escape. Sir Alex insisted: "You know the labyrinths of the company."

A monopolies committee would be needed, stiffened with economists and lawyers to filter and present the enormous volume of financial information which would have to be dug out.

Sir Derrick looked up: "The Pratt Committee may become a permanent institution."

Pratt looked down.

2.30 pm. Pratt committee

Hugh Richardson was explaining. The Elders bid no longer existed. The Takeover Panel no longer held them in thrall, although it would be watching.

But what about all the unfinished business, the mud-slinging and rumour-mongering Elders had used in its responses to Allied's defence document?

Richardson had seen the panel. It had agreed that it was unacceptable for Elders to rely on rumours, but said that the source of the information could not be revealed. "It could have come from within Allied," he warned, darkly.

In that case, countered Wright, Allied should use some of its own reserves of mud "There's lots of stuff we have got which we have not used but which could be useful." Photographs of the run-down pub, documents like "the dirt on Elders," and the fruits of the accountant's mission to "look up Elliott's trouser leg" had been kept under lock and key.

"Yes," Pratt chimed in. "We can make the claims and Warburgs can battle it out with the authorities."

"We've got to get on." Richardson stemmed the mutterings. "A week may be a long time in politics but six months (the likely duration of the MMC probe) is a very short time in the history of Allied-Lyons.

"You are really going to have to motor to make the best of the available time."

The probe might be extended to eight months, but they could not count on it. "If you think the last eight weeks have been bad, just you wait until you see what's coming," he told them.

It would be like a court hearing — they would be obliged to spend six or eight weeks preparing detailed submissions, then the commission would be back with lots of questions. "You never hear the other side's case, never see their evidence. It's the last vestige of the Star Chamber in British life . . . don't assume you'll get a fair hearing."

Richardson confessed he was worried that the apparent grounds for the reference were Elliott's financial arrangements: "Yet we still don't really know what the financial arrangements are."

"We are the cat and we are not being allowed to see the mouse," Richardson summed up.

As if the monopolies investigation would not provide enough work, Pratt had been told of new plans to get rid of "black spots" within the group. Co-ordination and co-operation were the buzz words. Wright observed that the mood was right for more of both. The bid had put an end to a lot of the political manoeuvrings and territorial jealousies which had previously characterised intra-group dealings.

At 4.05 pm, there was an ominous thud as a secretary dropped a letter from the Monopolies Commission in front of Pratt.

"It's not good news," he said, after a pause. He paraphrased aloud: "They want details on competition in brewing in the supply of beer in the UK, competition in the food industry with pointers on the implications of the break-up of Allied, risks of Elders' financial package, details of our future financing plans for the development of Allied . . . management structure . . ." he droned on.

"It's as wide as it could be," Pratt said, dismayed, and flinched as another minor revolt threatened.

This time, his colleagues agreed swiftly, the committee should be given a clear brief, closer links with others in the defence, more facts about what was going on behind the scenes. "We should prepare a Pratt Committee manifesto with clear terms of reference," declared Wright, grandly.

They were still feeling unloved, neglected. Pratt tried to comfort them. They knew almost as much as the chairman himself. "There is far less secret strategy going on than you might imagine," he promised.

To judge by the mood, they were back where they started. In the early days they had floundered, confused and uncertain. But they had worked their way to a consensus and, ultimately, success. Unseen forces on their flanks and in the van had also played their part. With the referral to the MMC they had captured the high ground they had been detailed to assault.

But all they could see from their new vantage point was a further range of obstacles stretching away into 1986.

Outside in the darkened street a poster for a car wash company exhorted: "Throw in the sponge."

A few hundred yards further south, on the path back to the City, the fly trudged through Smithfield where martyrs had once burned. Lights shone brightly as the meat market prepared for the festivities, illuminating puddles of congealing blood on the treacherous pavements. White feathers from thousands of Christmas turkeys swirled in the wind.

Parts 1 and 2 were published on Wednesday and Thursday. A further article on the impact the Elders bid has had on Allied-Lyons will appear in tomorrow's edition. A reprint of all four articles will be available in booklet form price £1.50 inc p+p from Mike Robinson, Publicity Department, Financial Times, Bracken House, Cannon Street, London EC4P 4BY.

DRAMATIS PERSONAE

The principal characters in the narrative include:

Allied-Lyons
Sir Derrick Holden-Brown, chairman
Sir Alex Alexander, vice-chairman
John Clemes, finance director
Richard Martin, main board director, brewing
Michael Jackaman, main board director, wines and spirits
Tony Pratt, group investment controller
Malcolm Wright, beer division
David Mitchell, J. Lyons
Nick Gent, wines and spirits
John Mills, headquarters staff
Godfrey Linnett, HQ
Michael Crofts, HQ
S. G. Warburg
Michael Valentine, director
Hugh Richardson, director
Mark Seligman
Melanie Gee
Cazenove
Harry Henderson
Saatchi & Saatchi
Michael Dobbs
Terry Dailey
Charles Barker City
Jasper Archer, director
Government
Norman Tebbit, chairman, Conservative Party
Leon Brittan, former Secretary of State for Trade and Industry
Nigel Lawson, Chancellor of the Exchequer

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Arts Week

F	S	Su	M	Tu	W	Th
26	27	28	29	30	1	2

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

Exhibitions

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

PARIS

Boucher. 86 paintings and 25 drawings trace the evolution of the painter who personified, from 1730 onwards, an *Art de Vivre* of charm and seduction. His pastoral scenes reproduced by engravings, tapestries and on Sevres porcelain spread the influence of French Court art all over Europe. Grand Palais. Ends Jan 5. (4289 5410).

What is Modern Sculpture?: Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900–1970 period. Her criterion is a break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou, Closed Tue (42771112) Ends Oct 13.

Mediaeval art in Paris: The abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn *mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny. 6 Place Paul-Painlevé, Métro Odéon.

WEST GERMANY

Essen: *Villa Hügel*: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

Cologne, Wallraf Richartz Museum, Museum Ludwig, Bischofsgartenstraße 1: The new museum, built by the German architects Busmann and Haberer, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art: French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Adolph von Menzel, Wilhelm *Leibl, Max* Liebermann, Max Slevogt and Lovis Corinth, Renoir, Monet, Sisley, Degas, Pissarro and Manet. Pictures by James Ensor, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Rome: Museo Napoleonico, via Zanardelli 1: Leopold Robert: Delightful exhibition of scenes of 19th century Roman street and convent life, painted with an ingenious eye and an unremittingly grand manner. The young Swiss artist came to Rome, took second place in the Prix du Rome of 1814. Suffered an unrequited passion for Princess Carlotta Bonaparte and died in Italy in 1835. Ends Nov 16.

Venice: Museo Correr (Ala Napoleonica): Le Corbusier: painter and sculptor: Over 300 of his lesser-known works, including sculpture, watercolours, pencil drawings and collages by the great French/Swiss architect. Le Corbusier loved Venice and visited the city frequently. The exhibition includes his project for the *Ospedale a San Giobbe, in Venice,* designed during the last year of his life (1965). Ends Oct 30.

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

BRUSSELS

When the posters went to war: American posters through the two world wars. Musée Royale d'Art et Histoire. Ends Oct 12.

NETHERLANDS

The Hague, Museon. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century "Irish Odysseus", are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends October 26.

Zutphen, Stedelijk Museum. An exhibition commemorating Sir Philip Sidney, the "flower of English chivalry", who died 400 years ago attempting to liberate Zutphen from the Spanish. Ends November 9.

Eindhoven, Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

Amsterdam, Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, life-size reconstructions of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for the birds and mammals. Ends Oct 19.

SWITZERLAND

Lugano: Villa Favorita: Goya In Private Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

NEW YORK

Metropolitan Museum of Art: 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. Ends Oct 5.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 *starring Lotte Lenya. Ends Oct 15.*

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

Cooper Hewitt Museum: Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and *memorabilia like* the original programme of 1891 and other programme covers.

International Center of Photography: David Hockney's photo collage show, called A Wider Perspective, consists of vistas captured in serial photographs put together with playfulness by the artist. Three films of interviews are also on view. Ends Nov 9.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, cibrial, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.

TOKYO

Turner (1775-1851): Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

Continued on Page 13

Opera and Ballet

PARIS

Don Carlos conducted by Georges Prêtre and produced in its original version by Marco Arturo Marelli who, by choosing a sober decor, allows full play to the opera's dreams. Paris Opéra (4266 5022).

Opera Yueju, Shanghai: Le Rêve Dans le Pavillon Rouge as part of the Autumn Festival (at the Mogador (4285 2880).

WEST GERMANY

Berlin, Deutsche Oper: Die Meistersinger von Nürnberg has Mari-Anne Häggander, Gerd Feldhoff, Gerd Brenneis and Horst Laubenthal. La Bohème stars Luciano Pavarotti. Die Hochzeit des Figaro features Lucia Peacock, Helen Donath, Walton Grönroos and Manfred Röhrl. (34 381).

Hamburg, Staatsoper: This week's highlight is Lohengrin with Kurt Moll, Rene Kollo, Nadine Secunde and Gabriele Schnaut, conducted by Ferdinand Leitner. Der Rosenkavalier has fine interpretations by Judith Beckmann, Hildegard Hartwig, Kurt Moll and Dieter Weller. (35 11 51).

Frankfurt, Opera: Janacek's Die Sache Makropulos is revived with June Card, Susanne Freyler, Jan Blinkhof and Günter Reich. Dido and Aeneas has Glenys Linos and Valentin Jar in the main parts. (2 56 21).

ITALY

Milan: Teatro Nuovo: Scala ballet company. (41 82 66).

Bologna: Teatro Comunale: Lucia di Lammermoor conducted by Carlo Franci in Pierluigi Samaritani's production. (22 29 99).

Florence: Teatro Comunale: Medea by Cherubini, sung in the original French, with Shirley Verrett in the title role (alternating with Dunja Vejzovic). Bruno Bartoletti conducts and the opera is directed by Liliana Cavani. (277 9236).

LONDON

Royal Opera House, Covent Garden: This week sees the final three episodes of the Wagner Ring cycle that Welsh National Opera has brought to London. Richard Armstrong conducts, Goran Järvefelt produces, and the cast includes Philip Joll (Wotan), Anne Evans (Brünnhilde), Jeffrey Lawton (Siegfried), Kathryn Harries (Sieglinde), and Nicholas Folwell (Alberich). (240 1066).

English National Opera, Coliseum: In a decisive attempt to give The Mikado a new look, ENO has invited Jonathan Miller to produce (and throw away all the traditional Japonaiserie) and Eric Idle to make his operatic debut as Ko-Ko; Peter Robinson conducts. Also in repertory: Graham Vick's irritatingly self-conscious production of Madam Butterfly, with Rosamund Illing new to the title role, and a good rivival of Miller's Marriage of Figaro production led by Valerie Masterson and Jacek Strauch. (836 3161).

NETHERLANDS

Amsterdam, Muziektheater. A double bill from the Netherlands Opera with Ithaka, a new opera by Otto Ketting, and the National Ballet in Toer van Schayk's Like Orpheus (Mon, Thur). The National Ballet with Hans van Manen's Opening, the Collective Symphony by Van Dantzig, Van Manen and Van Schayk, and Van Schayk's Seventh Symphony (Tue). The Netherlands Opera presents Verdi's Falstaff directed by Liviu Ciulei, with The Hague Philharmonic conducted by Hans Vonk. Timothy Noble in the title role, John Bröcheler, Ashley Putnam and Anne Howells (Wed). (255 455).

Groningen, Schouwburg. Han Ebbelaar and Alexandra Radius in ballets choreographed for them by Nils Christe, with Christian Bor, violin, and Hako Austbö, piano (Wed). Verdi's Rigoletto performed by Opera Forum under Alaum Francis (Thur). (12 56 45).

Amsterdam, Meervaart. The French Compagnie l'Esquisse with their dance production Le Royaume Millenaire (Mon, Tue). (10 73 93).

Eindhoven, Schouwburg. Modern Japanese dance from Ariadone No Kai (Thur). (11 11 22).

VIENNA

Staatsoper: Le Nozze di Figaro conducted by Mund with Janowitz, McLaughlin; La Traviata conducted by Boncompagni with Cappuccilli; La Gioconda; Orpheus. (51 444/28 55).

Volksoper: Hänsel und Gretel conducted by Richter; Orpheus in der Unterwelt conducted by Richter. (51 444/26 57).

NEW YORK

New York City Opera (NY State Theatre): The week features the premiere of Anthony Davis's X (The Life and Times of Malcolm X) with libretto by Thulani Davis and story by Christopher Davis in Rhoda Davis's production conducted by Christopher Keene. Andrei Serban's production of Norma features Winifred Faix Brown in the title role with Susanne Marsee as Adalgisa and Robert Grayson as Pollione conducted by Imre Pallo; Scott Bergeson conducts Cynthia Auerbach's production of Les Pecheurs de Perles with Gail Dobish, Jon Garrison and William Stone. Other productions this week are Carmen, Las Bohème and The Marriage of Figaro. Lincoln Center (870 5600).

Out-of Towners Series (dance theater workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Janie Geiser from Atlanta performing Blue Night. (Thur). 19th St w. of 7th Av (924 0077).

WASHINGTON

Ballet West (Opera House): The repertoire for this one-week visit includes Sleeping Beauty, The Dream, Symphony in C and Bugaku. Ends Oct 5. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: After a 20-year absence, The Magic Flute returns with Francisco Araiza as Tamino and Judith Biegen as Pamina, conducted by Leonard Slatkin in August Everding's production (Mon, Thur). Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho (Tue). (332 2244).

TOKYO

Ninguha Beijing Opera Company. U-Port, Kani Hoken Hall. Gotanda (Mon, Tues). (404 8025).

Noh: There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books – A Guide to Noh and Guide to Kyogen – in most hotel bookstores and at some theatres give summaries of plots.

Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki where all the roles are played by girls but with typical Japanese innocence and earnestness, is a must for visitors. Takarazuka perform elaborately staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (591 1711).

THE ARTS

The Magistrate/Lyttelton

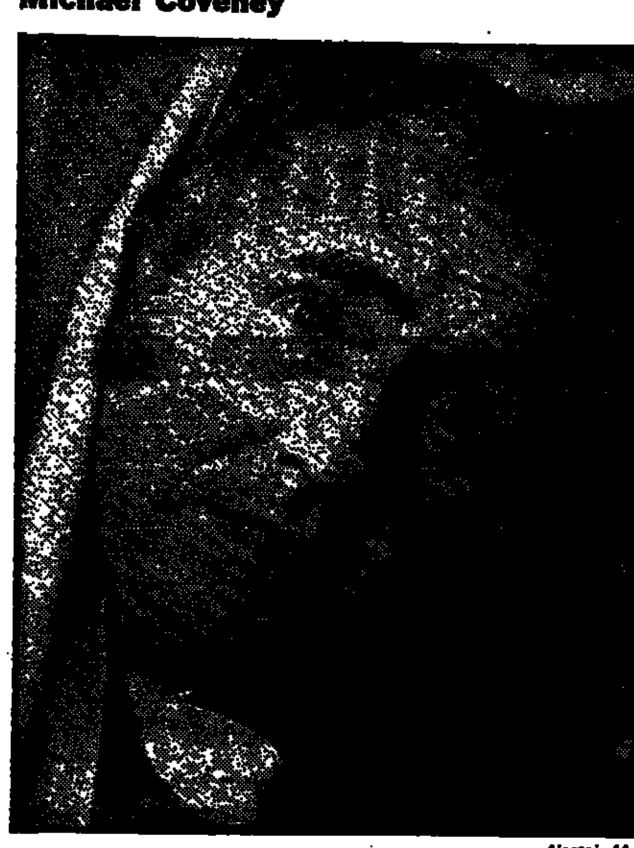
Michael Coveney

Pinero's *The Magistrate* was last seen in London in a mangled, ungainly version three years ago (*Little Lies* starring John Mills) and any complaints that Jonathan Lynn's National company has embarked upon a sedate crash course in comic museum pieces must first be tempered with pleasure at hearing this play again. It is a wonderful farce of discomfiture, a whoopee cushion shunted firmly under the bottom of a defender of propriety and the law, family values and clean living.

The tone of querulous dismay is set by Posket's first hint that things might be going wrong: "How came nuts into the drawing room?" he enquires, Nigel Hawthorne scanning the luxuriant Bloomsbury interior designed by Carl Toms to suit a High Court judge let alone a jobbing police magistrate. Michael Rudman's production treats the lines with spruce affection without sending them up. So the worst possible fate that can befall a retired army officer detained at Her Majesty's pleasure sounds just that: "I have been washed by the authorities" declares an outraged Donald Pickering, gills redenning.

As Kenneth Tynan once remarked in respect of Pinero, plays renowned for their construction are often hinged on implausible, or at least fragile, detail. Posket is a lapsed bachelor who has married a widow he met abroad at a spa. Agatha has lied about her age and has passed off a 19 year-old son as five years younger. The advanced pubescent Cis (Graeme Henderson) is in love with his music teacher, and has already developed into a hardened gambler and a sipper of port. When Agatha and her sister Charlotte decamp to warn an impending dinner guest against spilling the beans, Cis drags Posket off to a shady club in Meek Street.

This second act, with its coincidental accumulation of characters culminating in a police raid to enforce the licensing law, is one of the finest in English farce, worthy of comparison with Feydeau. The retired colonel is accompanied by Charlotte's ex-fiancé, Captain Vale (Nicholas Le Prevost), scalded after Charlotte's gift of "worked slippers" to another man. The social proprieties of friendly concern are undermined by the necessity of Vale hiding on a balcony, in the rain, when the ladies call.



Alastair Muir

Nigel Hawthorne

Charlotte has been travelling all day and Alison Fiske, in an immensely stylish and husky performance, is seized with hunger for the oysters which keep moving around in a sort of bizarre juggling act with her own sodden, hidden and increasingly peeved lover. For good measure, Mr Le Prevost throws in an excellent lemon-throwing gag to relieve his sepulchral despondency. Such attention to character portrayal is of course what makes the evening funny.

After the collapsing balcony and Posket's escape to Maida Vale and (dread purlieu) Kilburn, Cyril Shaps's finical Mulberry Street clerk brings a world of professional and marital decorum on stage with his daring exchange of a dark cravat for a coloured one to celebrate his silver anniversary and risk Posket's disapproval.

There is a strain of surreal panic forever associated in my mind with Alistair Sim in the main role. Nigel Hawthorne does not have that aura of celestial despair nor, if I am honest, does he really suggest that the bottom has fallen out of his world.

After sentencing his own wife to seven days, Hawthorne staggers back to Bloomsbury rigid with apoplexy and cramped musculature. When the ladies return ("There's going to be an explanation" whispers Miss Fiske with devastating confidentiality) he poses in the window like a statue with back ache. I recall Alistair Sim all but sliding into the wallpaper, back to the audience, searching for a crack in the wall; Mr Hawthorne wants to regain domestic poise, not obliterate his very existence.

Gemma Craven has the flighty measure of Agatha though not her Victorian stylishness. She seems, in fact, to be in the wrong play. But Mr Rudman's cast, though not as stellar as National Theatre audiences might expect in such a play, is solid and consistent all the way down, with notable cameos from Terence Bayler as a critical butler, Michael Beint as an unflappable sergeant and Ken Stott as an icily controlled inspector.

Cinema/New Releases

Crashing impact of a hard-driven Otello

Otello directed by Franco Zeffirelli
The Legend of Suram Fortress directed by Sergei Paradjanov and Dodo Abachnidze
About Last Night directed by Edward Zwick

Franco Zeffirelli's *Otello* is a much finer piece of "opera cinema" than his *La Traviata*. There we had a heroine dying of conspicuous consumption, with sets and costumes to match. Visual garishness was compounded by acoustical overkill. Over-projected music meant that the loud passages were almost deafening and that armies could have marched to some of the *pianissimi*.

In *Otello* Zeffirelli has kept the extrovert approach but taken the (relatively) pardonable liberty of adapting the opera's text to suit his big-screen style. Out go Cassio's "Miracolo vago" and Desdemona's Willow Song. Stentorianism is the keynote, with Placido Domingo singing the Moor with power and commitment and Justino Diaz a well-enunciated and darkly persuasive Iago.

Domingo we know from the opera house. Age cannot wither nor double hernias stale his charisma. Zeffirelli paints his face dark Bournville and has him nobly rampaging around the real Mediterranean castle where the film was shot. The notes blaze and the face is alertly expressive. When Emilia cries "Otello has killed Desdemona," he gives her a look as if to say, "You're next."

Justino Diaz would be my nominee in any Sherrill Milnes look-alike contest and he sounds not unlike the American baritone. His "Credo" is sung on the move, like most things in this movie, and the quiet phrases before the final outcry are thrown down a deep stone well, as if into some private Nibelheim of evil. Diaz is helped by the fact that cinema as a medium nearly always favours Iagos over Othellos, the intimate over the declamatory—as Frank Finlay proved on screen in Shakespearean tandem with Olivier.

Katia Ricciarelli's Desdemona suffers most severely from the cuts: not only the Willow Song but the Act 3 ensemble. But her plaintive gentility is too colourless to make one regret the excisions.

There are instances throughout the film of Zeffirelli's over-fondness for gold light, which can make the action seem as if it is refracted through *crème brulée*. But this is a Cannon production and subtlety is not its aim nor end. Power and impact are. Both (with Lorin Maazel driving hard in the pit) are nobly achieved.

★

Russian director Sergei Paradjanov's visually unique world of pageantry and ritual breaks all known movie rules but brilliantly creates its own to replace them. His subversive imagination does not endear him to the Soviet authorities. His new film *The Legend of Suram Fortress*, co-directed with Dodo Abachidze after a 17-year silence, most of which Paradjanov spent in prison, is a historical fable as astoundingly choreographed as *The Colour of Pomegranates* (1969).

In wartorn Mediaeval Georgia a Prince, as a sacrifice to complete the building of a castle, immures himself alive in one of its walls. Around this heroic and eccentric act cluster Paradjanov's living tableaux of period iconography. Religious, folkloric, domestic symbols interact in a visual poetry. Waving blue sheets simulate a sea. A camel's hump is pantheistically rhymed with brown hills. Eggs are smashed and buried as a symbolic foundation-stone. Peacocks, vases, leopards, books, the smoke of battle. . . . It is as if the frozen runic images of old icons or religious books had been melted into movement by the flame of sympathetic passion for the period.

The film is less homogeneous than *The Colour of Pomegranates*. The tableaux are interspersed with conventional sequences of pursuit or battle that seem to come from another film. (Are they Abachidze's contribution?) But it is still a breathtaking work.

★

From the sublime we descend swiftly, as in so many movie weeks, to the ridiculous. "I thought we had something kinda special," says Rob Lowe in *About Last Night*. "No, it was kinda sleazy," says his departing girlfriend Demi Moore; "Now it's kinda over."

This hip-dialogue love story, "suggested by" David Mamet's play *Sexuality Perversity in Chicago*, is kinda missed opportunity. The opening is fast and sparky: as pre-romance Lowe and Moore trade wisecracks with their respective pals and sexual hunting partners, Jim Belushi (brother of John) and Elizabeth Perkins. But half an hour in and you are advised to don wader boots.

Nigel Andrews

Justino Diaz and Placido Domingo at full tilt in Otello

Eleni directed by Peter Yates
Trouble in Mind directed by Alan Rudolph
Rebel directed by Michael Jenkin
Girl in the Boot directed by Herbert Ballman

It is unusual to complain about a lack of sentiment in a film, but *Eleni*, the true story of the power of a mother's feelings and the persistence of a child's love, is fatally lacking in warmth. It is as if director Peter Yates and scriptwriter Steve Tesich got so bogged down in the oppressive subject they were dealing with — a Greek village during the civil war — that they forgot that, whatever the times, family life must have its lighter moments. For Eleni Gatzoyannis, who has waited nine years to follow her husband to America, all is submerged in a single note of gloom; no games or smiles or jokes for her five children, especially after the communist guerrillas arrive in the village intent on indoctrinating them. When Eleni organises her children's escape from the village, she must know it will lead to her execution, but her devotion is relentless.

The device of flashing from the 1940s, to the present, where Eleni's son Nick is still doggedly seeking her killers, adds to the distance chronologically and emotionally. Scarred by his childhood loss, Nick is a cold, obsessive character whose investigation becomes his therapy.

There is so much to praise in *Eleni* that it is sad to see it fail. Enhanced by Billy Williams's photography, the action moves from gritty rusticity to shimmering city and back in a compulsive story of lives destroyed by transient political isms. There are excellent performances, especially from Kate Nelligan as Eleni and Oliver Cotton as the Communist leader. If only Steve Tesich's script had contained a little more light and shade—an astonishing shortcoming from the man who scripted *Breaking Away* and *The World According to Garp;* it might have been a film that was uplifting instead of merely intense.

Alan Rudolph's previous film (notably *Welcome to LA*), with their complex relationships, have been a bit too subtle for the Hollywood establishment, but thankfully he continues to get them financed. In *Trouble In Mind* he has a more substantial plot than usual: an ironic story of gangland rivalries interwoven with a romantic triangle.

Keith Carradine, a Rudolph regular, makes a volatile study of Coop, a young man who brings his girlfriend Georgia (Lori Singer) and their baby to Rain City looking for work. While he is instantly seduced by the easy money of the underworld, she resists a more obvious seduction by Hawk (Kris Kristofferson), ex-cop, ex-con, poised between the law and the outlaws. In a city where it is always raining, a city dominated by eccentric criminals (headed by Divine, smoothly menacing like a chocolate soft-centred with poison, in his first male role) it is the city itself that is the enveloping corrupter — dark, neon lit, shiny wet. Though the characterisations and action are slightly surreal, tiny moments of slapstick (dropped plates, bumped heads) undermine any accusations of pretentiousness and culminate in a gangland shoot out that is choreographed with chilling hilarity.

★

A city has its part to play in director Michael Jenkin's *Rebel*—this time a distinctly artificial looking Sydney of 1942, where an American sergeant on leave from the Pacific and sickened by the war finds his plans to desert confused when he falls in love with a nightclub singer. Since neither the script nor the actors (Matt Dillon and Debbie Byrne) provide any emotional centre, the result is trite and superficial when it is meant to be moving.

The Girl In The Boot is a young East German who hides in her Swiss boy friend's car to make forbidden trips into West Berlin. As she is more interested in bright lights than political refuge, director Herbert Ballman might have had the makings of a comedy on his hands, but unfortunately it is a leaden, humourless escapade that inevitably ends in tears before bedtime.

Ann Totterdell

East of Vienna/Wigmore Hall

Max Loppert

Wednesday's concert was the first in the latest Nash Ensemble concert series, devoted to Eastern Europe. The plan of each instalment includes, as ever, a Classical work and a vocal work; the sum total of the programmes indicates that these expert concert-compilers have come up with another winning formula.

This first programme opened with Haydn—the G minor Piano Trio, HXV.25—and then moved sharply north as well as east for the Russians Edison Denisov, Musorgsky, and Chaikovsky. The Denisov piece was the Sextet (for three wind and three strings) composed in 1984 for Capricorn. For most of Denisov's music that I have heard, the epithet "etiolated" has seemed to say the final word. This small, elegant, carefully-worked piece of genuine chamber music has more life and colour in it than that.

The matter of the music is conducted in muted tones and undemonstrative voices—the two movements, moderate followed by fast (with a moderate coda), appear on the surface little more than a fleet succession of delicate short strands, all of them canonically interlinked. But the strength of Denisov's contrapuntal working is attested by the vigour of his harmonic movement, and by the genuinely distinctive contribution to the argument that each different instrumental line is capable of providing.

The Russian composers made for a rewarding concert sequence. After the understated moods explored by Denisov, the craggy passions of the Musorgsky *Songs and Dances of Death* stood out the more sharply. Richard Van Allan, singing in what even a non-Russian-speaker could tell was vividly inflected accents, gave a brilliantly subtle reading of the four songs—the dry tone suited the concert circumstances, and the singer's intelligence glanced off every phrase. After the interval, the Chaikovsky string sextet, *Souvenirs de Florence*, brought a welcome contrast of sunshine. The Nash performance was not sumptuous, and solo lines did not "speak" in the grand Russian manner; but the balance was admirable.

Philharmonia/Festival Hall

Andrew Clements

The confrontations between Giuseppe Sinopoli and the symphonies of Mahler have been reported faithfully in these columns over several seasons. The pattern of each bout has been well established and its characteristics noted—the extremes of tempo, and of dynamic, the thoughtless mannerisms of articulation and phrasing—and the outcome generally deemed to the disadvantage of the composer.

That Sinopoli's approach has not appeared to develop or deepen with the experience of performances has been one of the more dispiriting aspects of the phenomenon. But the account of the Sixth Symphony in the Festival Hall on Wednesday gave one at last certain grounds for optimism. It was outstandingly well played by the Philharmonia, with every department alert, rich-toned and potentially eloquent.

It would be wrong to suggest that Sinopoli had undergone a comprehensive transformation; each of the symphony's four movements contained at least one example of expressive indulgence that could not be justified by any musical logic. Tempi still veered between extremes, with every rallentando pressed to the point of standstill; climaxes tended to lack levels of discrimination. The more exaggerated distortions — huge point-making caesuras in the first movement, grotesque drawing out of the *Ländler* theme in the Trio—retain their ability to enrage or amuse, depending on the listener's pre-disposition.

But what survived in this performance was a degree of structural and expressive coherence which could not be attributed only to exemplary playing. The climax to the Andante, every strand firmly in place, almost dispelled all memories of the arthritic slowness with which the movement had begun, and the finale was shaped towards fierce conflict at its critical nodal points. It was by no means an unflawed achievement, but an achievemen of a kind it ws; perhaps not to universal taste, but one in which some pungent ideas were conveyed with unexpected directness.

Hoffmann, A Death in the Family/St Louis Opera

Andrew Porter

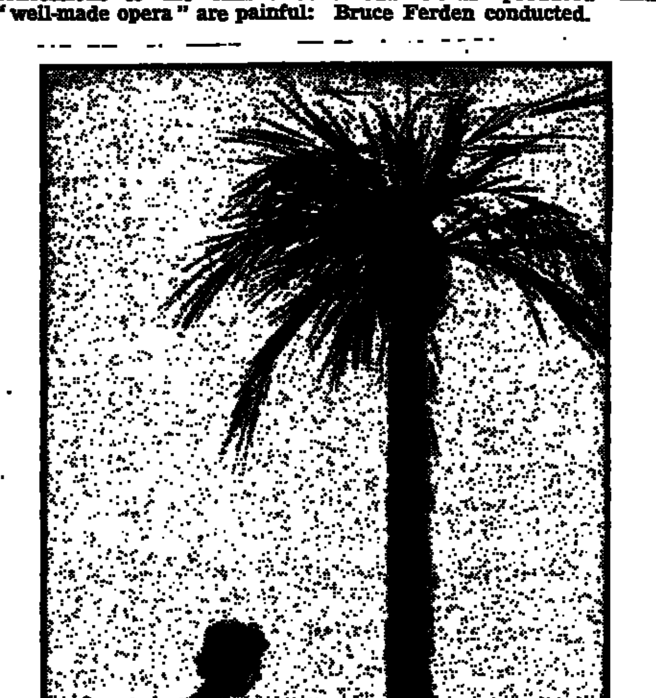
The St Louis season this year —two months of opera, 24 performances—consisted of *The Tales of Hoffmann*, Mozart's *Abduction*, the American premiere of Rossini's newly recovered *Il Viaggio a Reims*, and a new opera, William Mayer's *A Death in the Family*.

Hoffmann, also produced by Graham (the artistic director of the company) in sombre settings by John Conklin, was almost too serious in tone. The edition was developed from the excellent one Graham and Edmund Tracey devised for the ENO in 1970, with additions now from the Oeser score (a less-glittering Doll Song, more music for Nicklaus and a choral apotheosis at the end). Graham's new idea was that Olympia, Antonia and Giulietta are not three of Hoffmann's past loves but one and the same woman — Stella — "whose unsatisfactory progress through Hoffmann's life has made him fantasise her death every time love dies and the relationship is broken off."

It's a notion to play with rather than one that admits of consistent and effective working out. In so far as Hoffmann is "fantasising," it makes no difference to the presentation. The "moral"—that infatuation has for too long kept our hero from his true task of being a poet — remains the same. The librettists' original plot — a series of disastrous romantic entanglements with different types of woman — seems to me more entertaining, and apter to the music, than Graham's analysis of one long, neurotic, on-and-off affair. It's no good being too earnest about *Hoffmann*; the score won't bear it. Charm, lightness and fantasy, spun on a thread of serious plot, are what's needed. It's Hoffmann's drunkenness, not moral resolve, that ends the affair with Stella. (*She* does the rejecting.) The final chorus — in St Louis an angelic apotheosis—is in praise of booze.

James Agee's poetic autobiographical novel *A Death in the Family* tells of the death—"offstage" in a car smash—of a six-year-old boy's father, the effect on his family, and the funeral. The mature author evokes a boy's observations, thoughts, and emotions. There are other scenes from years earlier: memories of quiet evenings in the backyard with the family around, and a visit to his great-great-grandmother in the mountains. Mayer, his own librettist (with some debt to *All the Way Home*, Tad Mosel's dramatisation of the novel), has collapsed the events of years into a few overfilled days. The slow careful pace of the book and its subtle cadences—exactly caught in Samuel Barber's concert scena *Knoxville: Summer of 1915*—is lost. All that remains of Agee is incident; and some concessions to the canons of "well-made opera" are painful: Agee's bar where "there was no music . . . only the thick quietude of crumpled talk" becomes a singing saloon, then invaded by a comic posse of Temperance Ladies.

The music struck me as trite, conventional stuff, with its sights set low. It contains some Tennessee songs in glib glee-club harmonisations. The performance was good as can be, with Jake Gardner and Dawn Upshaw as the parents, and young Jeremy Cummins a Rufus who put not a foot wrong. Rhoda Levin produced and Bruce Ferden conducted.



Joyce Guyer as Constanze in the St Louis Opera's production of Mozart's Abduction from the Seraglio

Continued from Page 12

Music

LONDON

London Symphony Orchestra conducted by André Previn, with Emanuel Ax, piano. Mendelssohn and Brahms. Royal Festival Hall (Tue). (928 3191).
Scottish Chamber Orchestra, directed by Jaime Laredo. Mozart, Mendelssohn and Vivaldi. Barbican Hall (Tue). (638 8891).
London Philharmonic, conducted by Klaus Tennstedt, with Maya Weltman, piano. Gluck, Beethoven and Strauss. Royal Festival Hall (Wed).
London Sinfonietta and Chorus, conducted by David Atherton; with Philip Langridge, tenor; Stephen Roberts, baritone. Tippett and Britten. Royal Festival Hall (Thur).

PARIS

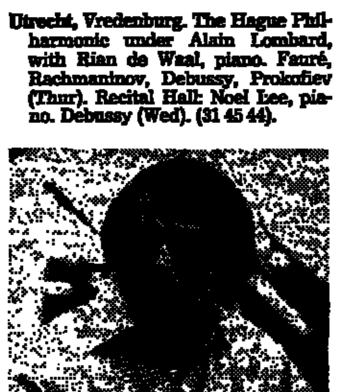
Paul Kuentz Orchestra and Choirs: Haydn's Seasons (Tue). Saint-Severin Church (4633 9761).
Orchestre de Paris, conducted by Daniel Barenboim; with Siegfried Jerusalem, tenor; Dietrich Fischer-Dieskau, baritone; Helmut Pampuch, tenor. Wagner's Siegfried, 1st Act (Wed). Salle Pleyel (4561 9607).

ITALY

Milan: Teatro alla Scala: Gary Bertini conducts Mahler (Wed and Thur). (80 91 26).
Bologna: Teatro Communale: Alfred Brendel (piano). Beethoven and Liszt (Mon). (22 29 99).

NETHERLANDS

Rotterdam, De Doelen. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Maria Tipo, piano. Honegger, Mozart, Haydn, Ravel (Mon). Nikita Magaloff and Michel Dalberto, pianos. Brahms, Schumann, Rachmaninov (Tue). Recital Hall: Mark Lubotsky, violin, and Boris Berman, piano. Beethoven (Wed). (414 29 11).
Utrecht, Vredenburg. The Hague Philharmonic under Alain Lombard, with Rian de Waal, piano. Fauré, Rachmaninov, Debussy, Prokofiev (Thur). Recital Hall: Noel Lee, piano. Debussy (Wed). (31 45 44).



André Previn

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, André Watts piano. Husa, Schubert, Liszt (Tue); Zubin Mehta conducting, Pinchas Zuckerman violin. Mozart, Strauss (Thur). Lincoln Center (874 2424).
Merkin Hall (Goodman House): Wind Ensemble; with Olegna Fuschi piano, Rebecca Scott, soprano; and Jean Kopperud, clarinet. All-Eric Ewazen programme (Mon); Danielle Woerner, soprano, recital with the St. Michael's Madrigalists; Robert Schwartz, piano; Jean Kopperud, clarinet; Robert Barrows, harpsichord; Lesley Retzer, baroque cello. Monteverdi, Carissimi, Schubert, Otto Luening (world premiere), Berlioz (Tue); Music Today, Gerard Schwarz conducting. Robert Beaser, Villa-Lobos, Wolpe, Christopher Rouse (Wed); Judith Norell harpsichord recital. Bach, Haydn, Ligeti, Henze (Thur). 67th w. of Broadway (362 8719).

CHICAGO

Chicago Symphony (Orchestral Hall): Sir Georg Solti conducting. Vivaldi, Hanson, Copland, Ibert, Beethoven (Thur). (435 8111).

TOKYO

Svistoslav Richter, piano; Yuri Bashmet, cello. Shinjuku Bunka Center. (Mon). (235 1661).
Tokyo Metropolitan Symphony Orchestra, conducted by Zdenek Kosler. Dvořák, Janaček. Tokyo Bunka Kaikan. (Tue). (822 0727).
NHK Symphony Orchestra, conductor: Wolfgang Sawallisch. Soloists include Lucia Popp, Alicia Nafe, Peter Seiffert, Bernd Weikl. Special programme to celebrate the orchestra's 1,000th subscription concert. Mendelssohn's Elijah. NHK Hall (Wed). (465 1789).
Eliso Virsaladze (piano): Mozart, Shostakovich, Schumann. Tokyo Bunka Kaikan Recital Hall. (Wed). (235 1661).
Take (Bamboo) Group: Concert of traditional Japanese music including Shakuhachi (bamboo flute), koto (horizontal harp) and shamisen (banjo) by one of Japan's premier ensembles. ABC Hall near Shiba Koen subway (Mon). (998 3221).

Resignation of Richard Rogers

Richard Rogers has resigned as an assessor of the 1986 Financial Times Architecture at Work Award.

His decision follows the publication on August 18 of an article based on the personal reactions of a Lloyd's underwriter to the new Lloyd's building in the City of London, designed by Richard Rogers. Richard Rogers said he felt it appropriate that he should resign as an assessor for the FT Award.

World premiere at Nottingham

Paula Wilcox and Jeff Rawle are to star in *Queer Folk*, a new play by Rosie Logan which is having its world premiere at Nottingham Playhouse on October 2. It is directed by Kenneth Alan Taylor with designs by Robert Jones

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Friday September 26 1986

The IMF and its members

THE CASE for international economic co-operation seems to have come and gone again in the space of a mere 18-months. Or so it would seem, to judge by the present enthusiasm among developed countries for attacking each other's record in economic management, while simultaneously showing reluctance to open up their own fiscal and monetary policies to wider debate.

The running argument between the US on the one hand and West Germany and Japan on the other scarcely constitutes a happy backcloth to next week's annual meetings of the International Monetary Fund and the World Bank. Nor do events in Latin America, where the Baker Plan, launched with a fanfare at last year's IMF meeting, remains an uncertain quantity and political leaders struggle to reconcile the demands of IMF adjustment programmes with the need to maintain political support.

As these twin pillars of the post-war international economic order undergo management changes at the top, they face pressing questions about their respective roles. Indeed, it is tempting to argue that the IMF now enjoys minimal influence with the strong and has lost the confidence of the weak. For its part, the World Bank's dilemma can be encapsulated in crude figures. As developing countries struggled to service more than $700bn of debt, the Bank's new loan commitments amounted to only $13.2bn. Without greatly enhanced capital, its contribution is, of necessity, tightly circumscribed.

At the Fund, surveillance is recognised as having a central role. Since 1977 an amendment to the articles has explicitly declared that the Fund "shall exercise firm surveillance over the exchange rate policies of members" — a statement that looks more than a little pious where the US, West Germany and Japan are concerned. Since the West's three largest economies agreed on a concerted attempt to bring down the dollar at the Plaza Hotel in New York just over a year ago, they have progressively retreated into their exchange rate bunkers. The reluctance of the two surplus countries to pursue policies designed to encourage increased domestic growth has prompted repeated threats from the US to devalue

As for the moves to broaden the scope of multilateral surveillance which were discussed at this year's Tokyo summit and in which the IMF is to play a key part, it is hard to drum up much optimism. Those countries whose currencies make up the Special Drawing Rights basket are suposed to submit their economic forecasts to review taking into account indicators such as GNP growth rates, inflation rates, interest rates, unemployment rates, fiscal policy, current account and trade balances, monetary growth, reserve and exchange rates.

Some menu, some hope. The dilemma is perfectly encapsulated in the current argument about economic growth in West Germany; the potential frictions can equally well be seen in the call by officials of the Reagan Administration this week for stronger measures in Britain to counter unemployment. These so-called objective indicators will prompt much talk, but less action.

Economic policy

The IMF is disarmingly frank about the problems in its annual report. It rightly states that surveillance should be even handed and symmetrical; and that symmetry requires particularly close scrutiny of the policies of the countries that are important in the international financial system. Yet it admits that the process has been less effective than it would have liked.

In the final analysis, however, the fund can only operate by consent—a point that applies as much in the developing as the developed world. If economic policy is not framed with interdependence in mind, and with a recognition of the linkages between fiscal, monetary and trade policies, surveillance is unlikely to achieve much as it confronts the subsequent imbalances in the world economy. To their credit, both the IMF, in its recent package for Mexico, and the World Bank, in shifting from project-related financing to a greater preoccupation with structural adjustments, have been showing greater sensitivity to such linkages. If only their clients and masters were ready to go further down the same road.

Rover fights for market share

THE HEAVY losses announced yesterday by the Rover Group (formerly BL), together with figures suggesting a further decline in its share of the UK car market, raise yet again a question mark over the future of the state-owned vehicle manufacturer. Not only is the new management, under Mr Graham Day, having to wrestle with the problems of the truck business — which, together with Land Rover, would have been sold some months ago to General Motors if the Government's nerve had held. It is also facing the possiblity of a significant loss of market position on the car side which will be difficult to reverse. This is all the more disappointing in view of the great strides which have been made over the past five years in terms of quality, productivity and industrial relations. The latest developments reinforce the urgent need to find a strong partner or partners for both the car and commercial vehicle operations.

Although Rover's exports have been improving, the company still depends for some three-quarters of its car sales on the UK; the domestic market is crucial. During the chairmanship of Sir Michael Edwardes the long decline in market share was halted; with the aid of collaboration with Honda a genuine recovery seemed possible. Some 18 months ago, with a number of new models already available or soon to be launched, there were hopes that UK market share could be pushed above 20 per cent — the figure for the whole of 1985 was about 18 per cent. There were also good prospects of using part of Rover's capacity to assemble Honda cars under contract, which would make a valuable contribution to the economics of the business.

Cost cuts

Since then some of the new models have not sold as well as expected, especially in the important fleet market. Competition, stemming from over capacity, has been intense. Other manufacturers, especially on the Continent, have continued to improve the quality of their products, so that Rover, despite its improvements, may still be lagging behind in this field. At the same time the company's image cannot have been helped by uncertainty over Government policy; a possible merger with Ford was mooted and then quickly dropped. In recent months the company's market share has been running at around the 16 per cent mark.

In these circumstances the company may have to take further steps to reduce fixed costs by closing capacity and concentrating production in fewer plants. Even more seriously, there must be a question over whether the company will be able to afford all the model replacement programmes which are currently planned. These include a new Metro and a mid-range vehicle which is planned as a joint venture with Honda. The strategy over the past five years has been to offset the company's disadvantage of relatively small scale by collaborative agreements with other companies, both on major components like engines and transmissions, and, in the case of Honda, on complete cars. This is a sound policy which other companies around the world are following, but it does depend on Rover remaining big enough and strong enough to make a worthwhile contribution to any partnership

Awkward problems

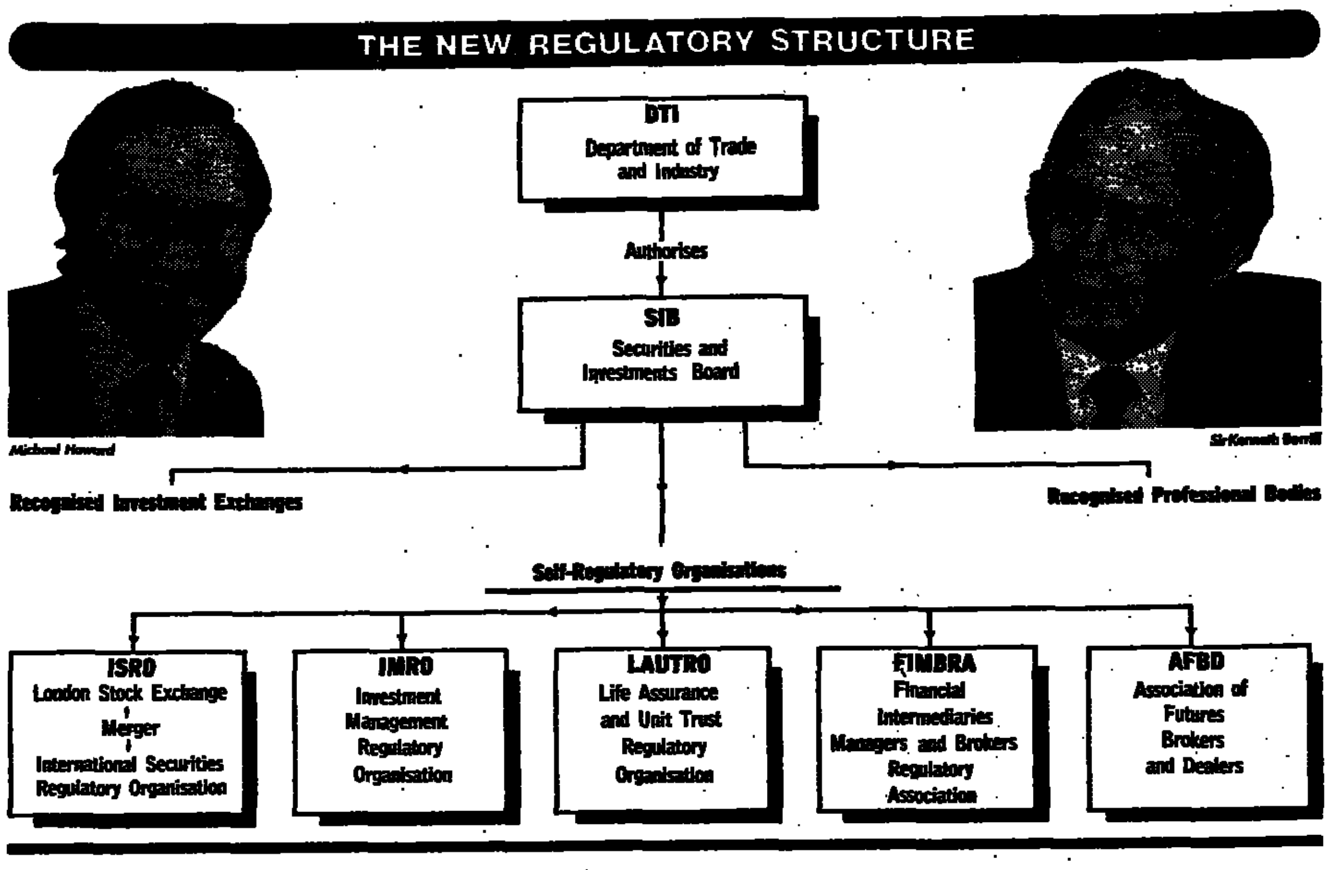
All this poses awkward problems for the Government. Any hint that the owners are hawking the company around in a desperate effort to find a buyer would have a damaging effect on morale inside the company (which has no doubt been shaken by the management changes following Mr Day's arrival) and among the dealers, who will be watching with interest Nissan's plans for expanding production in the north east. On the other hand the Government can hardly give management a blank cheque to tide them through what may well be a prolonged period of turbulence

Although the company's problems in the marketplace can only be solved by the management, a restatement of Government support for the present strategy would be helpful. At the same time, efforts must be made to cement the relationship with Honda, preferably with an equity investment by the Japanese company. Honda presumably intends to expand its assembly and manufacturing interests in Europe, just as it has done in the US. It needs to be persuaded that this is best achieved by extending its links with Rover, rather than following Nissan's example and building its own facilities.

THE FINANCIAL SERVICES BILL

Adrift on a sea of small print

By Clive Wolman



THE CLOSER the Financial Services Bill gets to the statute book, the more it seems to come under fire. As the most comprehensive overhaul of City regulation and investor protection for decades, it stands accused of being clumsy and oppressive towards the innocent and too easy on the less-than-innocent.

In a survey published in July, leading City institutions criticised the Bill for being badly drafted, ill-conceived, too complicated and muddled. The leading industry lobby groups have also complained about the way in which they have been caught by its provisions.

In Parliament, the peers, backed by the leader of the House of Lords, Viscount Whitelaw, have forced the Government to grant more time at the report stage next month to consider improvements and tackle more than 200 Government amendments. Further concessions on the contents of the Bill will be necessary if the Government is to remove the risk of it running out of time before the Parliamentary session ends in November.

Mr Roy Croft, chief executive of the Securities and Investments Board (SIB), the body that will oversee the new regulatory system if the Bill passes, pointed out recently that new regulations always upset the regulated. The rules, he said, were introduced primarily to benefit not the City but the small investors traditionally represented by Aunt Agatha.

However, the new framework has also come under attack for failing to protect Aunt Agatha. Some members of the Commons standing committee that scrutinised the Bill have protested about the thwarting of their efforts to crack down on sharp practices of insurance salesmen. This is the one issue in the Bill that affects directly the majority of the population, as buyers of life assurance. These MPs wanted the SIB to compel salesmen to disclose to customers both the commissions on the policies they are selling and also what proportion of the customer's money goes in charges. But the SIB, the chairman of which is Sir Kenneth Berrill, rejected the MPs' suggestions in its recently-published draft rules.

The SIB itself is in a difficult position. Its staff, whose salaries are paid from a Bank of England loan, has already been overstretched by the expanding ambit of the new regulatory structure. Each set of draft rules it has published has led to a flood of responses and its officials have lacked time to discuss the issues with all the interested City bodies and MPs.

The original report that led to the Bill was undertaken by Professor Jim Gower following a series of scandals in which small investors lost money to fraudulent and incompetent commodity and securities dealers. But the current criticisms have been directed at the other areas into which the new legislation has been extended. These are the regulation of life assurance, unit trusts and the securities markets in the wake of the restructuring of the London Stock Exchange next month.

The new regulatory system is based on the principle of self-regulation, with limited statutory controls. It seeks a balance between investor protection and an environment in which the financial service companies can operate without becoming enmeshed in bureaucracy.

The alternative approach, to appoint regulators whose careers and loyalties are outside the financial services industry, is strongly backed by the Labour Party. Support has also come from Sir John Nott, chairman of Lazard Brothers, and several US-based institutions.

Even those City institutions which strongly supported self-regulation are now claiming that the financial markets will become clogged up when the new rules are applied.

Officials in the DTI and Bank of England regard many of the fears of City institutions as exaggerated, a consequence of the uncertainties about the general business climate in the wake of Big Bang. They also think that some firms have taken too seriously the advice of lawyers who see their duty as identifying and highlighting every possible risk to their clients.

Nevertheless, they agree that the Bill will add to the administrative costs of City institutions and slow down some of their transactions, at least until they adjust to the new requirements. Many of the costs incurred in setting up financial and other controls make sound commercial sense as the firms enter new businesses. But the new regulatory structure must inevitably force those controls into a straitjacket.

Like all "made-to-measure" laws, the Financial Services Bill and the SIB rules suffer from the attempt to define in detail every possible wrong-doing and then to remove the absurdities created by the straitjacket by including an equally long list of exemptions.

The alternative approach of prescribing briefer, more general principles and letting their applications be developed through caselaw could, many feel, have been applied more widely. The rules on "Chinese walls," designed to stop different departments of the same business swapping information at the expense of their clients, are a model in this respect.

According to Sir Adam Ridley, who served as special adviser to the Chancellor from 1979 to 1984 and is now a director of Hambros bank: "The regulations are so complicated that the whole thing threatens to be a bit of a shambles. It is as if the highway code, instead of stating general principles, said what has to be done at every junction and intersection in the country for each of seven classes of vehicle."

The Bill was intended to add to the rights of investors which are currently based on the common law and a few statutes such as the 1958 Prevention of Frauds (Investments) Act. But, under the pressure of lobbying from City and other financial institutions, many of the new rules have been hedged with so many exemptions, that the investor will often do better to rely on the current law.

A recent example of this process, which aroused the protests of the House of Lords in July, was the market manipulation clause of the Bill. This makes a criminal offence the creation of a false or misleading impression about the state of a market for investments. Under pressure from international securities houses, the Department of Trade and Industry (DTI) granted an exemption for Eurobond issues and widened the defences available to issuers and dealers.

The members of ISRO, the International Securities Regulatory Organisation, then lobbied for the exemption to be extended to issues of all international securities, including equities. The London Stock Exchange is now also demanding an exemption for new issues.

The provisions which outlaw the door-to-door or telephone selling of investments, "cold-calling," provide perhaps the best example of the defects of made-to-measure laws. The Bill grants an exemption from this prohibition to the sales of life assurance, unit trusts and personal pensions, but not to any other form of investment. The purpose was to protect the public from the aggressive selling of more speculative and complex investments.

The result is that many investments fall on the wrong side of the dividing line. For example, shares in a general investment trust, which cannot be sold door-to-door, are less risky and less complex than many forms of unit-linked life assurance and pension plans on which cold-calling salesmen can earn hefty commissions.

Although safeguards have been introduced, for example, to allow a "cold-called" customer to cancel his contract in some circumstances, they are so complex that most practitioners, let alone customers, could find difficulty in applying them. More flexibility and less arbitrariness could perhaps have been achieved merely by clarifying the safeguards against misrepresentation or undue influence already established in the common law.

The other drawback of made-to-measure laws is that, by dealing with specific practices, they excite the attentions of narrowly-focused pressure groups able to lobby for exemptions they have never dared to claim from the general law. ISRO, for example, has never sought an exemption from the Theft Act nor insurance brokers from the laws of agency requiring disclosure of commissions.

The passage of the Financial Services Bill through Parliament has also highlighted another difficulty with complex legislation of this type; the influence of lobbyists on a technical Bill of which the general public has little understanding. Several of the larger financial conglomerates have had teams of solicitors and barristers working on the Bill for more than a year. The opposing forces have comprised little more than two poorly-funded consumer bodies and the more robust DTI officials.

The main lobbying advantage of the financial institutions has been their expertise, which was highlighted in May, when several of the emerging self-regulatory organisations (SROs), in particular the Stock Exchange and ISRO, threatened to withdraw as SROs unless they were granted immunity against legal action.

The threat of the Stock Exchange, which views itself as a model SRO and has operated without such immunity for decades, was barely credible. But it was sufficient to persuade Mr Paul Channon, the Trade and Industry Minister, that the proposed framework might break down unless he overruled his junior minister, Mr Michael Howard, and granted immunity. The result is that individual investors who have lost money as a result of the negligence of an SRO can no longer sue.

The most effective lobbyist of all has probably been the insurance industry, drawing on its traditional strength in the section of the DTI that regulates it. The majority of its mebers of the SIB committee that has drawn up the regulations for the insurance industry were representatives of insurance companies and brokers.

Predictably, those regulations soon came under fire from MPs as being concerned less with the protection of investors from insurance salesmen than of salesmen from investors. The underlying argument here has been that, although self-regulators who are practitioners may be well placed to enforce a rule-book by investigating the malpractices of their members, they should not be asked to write the rule-book as well.

One counter to the influence of the lobbyists would have been for the SIB and the Commons Standing Committee to have questioned expert witnesses and published their evidence. For example, the SIB committee claimed that it is technically too difficult, and misleading, to force insurance companies to tell customers what proportion of their premiums for with-profits policies will be swallowed up in expenses. Several leading actuaries have disputed this. But there was no attempt to gather, analyse and publish the apparently conflicting evidence.

Similarly, although the securities dealing regulations have been strongly influenced by the US experience, no one has analysed in detail the similarities and differences between the US and UK markets.

Mr Gary Klesch, now chairman of Quadrex Securities, a London Eurobond house, was director of capital markets policy in the US Treasury when those markets were deregulated, and re-regulated, in the mid-1970s. He compares the UK approach to re-regulation unfavourably with that of the US. "We commissioned a massive amount of empirical studies to assess the effects of changing the rules, in fact we rather went over the top," he says. "But here there has been too little research. There has not been enough time to think through all the consequences."

Men and Matters

Habgood follows his own advice

When Tony Habgood was asked by Tootal six months ago to advise on a new management strategy he little thought he would be called upon to implement his own plan.

However, yesterday the 39-year-old consultant left the Boston Consulting Group to become one of the four top men who will now run the Manchester-based textiles concern according to his strategy.

To its chagrin Tootal is still closely associated with ties in the mind of the buying public, although its strength is now in a range of goods from clothing to threads.

The new strategy is to find growth areas. "The move into the world of industry brings me directly into running a company rather than just advising it. I like that," says Habgood.

The invitation to help run Tootal came from the md Geoffrey Maddrell. The two first met at Boston Consulting and later renewed their acquaintance when Habgood was asked to advise on a Bowater division that Maddrell then ran.

At Boston Habgood had spells in the US, Germany, and Japan. He has been the senior partner running the consultancy's British arm for the last five years.

Debt-watchers

The jockeying over the successor to IMF managing director Jacques de Larosiere is only just beginning and is expected to last for several weeks.

But at the Institute for International Finance, the Washington-based agency set up two years ago by multinational commercial banks to monitor the Third World debt crisis, keep in touch with the IMF and the World Bank, and provide the commercial banks with an independent assessment of economic developments in borrowing countries, changes at the top have already been approved and will be announced on Monday.

As part of the effort to give the IIF additional horse power, an active bank chief executive, Barry F. Sullivan, of First Chicago, is to take over as chairman of the IIF board replacing Richard Hill, the former head of the Bank of Boston, who retired from that position in 1984.

At the operational level, too, there are to be changes. Andre de Lattre, the former World Bank official, is retiring, and deputy managing director, Horst Schulmann, will replace him. Schulmann, who was West German Chancellor Helmut Schmidt's personal representative for economic summits between 1978 and 1982, spent four years as a top executive at the World Bank at the beginning of the 1970s. He was one of the key figures in the creation of the European Monetary System and is widely recognised as one of the most able and energetic international financial officials.

The IIF, which hitherto has not had the impact on the debt issue which its founders hoped for, is aiming to boost its role as a forum for the discussion of the issue among commercial banks.

Peacock feathers

Sir Alastair Burnet, doyen of Britain's ITN News, ruffled a few feathers in his own television industry last night.

Burnet, whose salary ultimately is paid by the independent TV companies which own ITN, told the Institute of Directors he wants to see ITV franchises put out to competitive tender.

That idea, one of the important recommendations of the Peacock report, is, not surprisingly, anathema to both ITV and the IBA, which currently selects the winners.

Sir Alastair not only told the directors he approved of the idea. He also urged them all to campaign for it. The Peacock committee, he said, could not have done a better job.

Apart from putting out ITV franchises to tender Sir Alastair is also very keen on another central Peacock idea—pegging the licence fee for television in Britain to the retail price index.

Musgrove quits

Harold Musgrove, chairman of Austin Rover, whose powerful presence has loomed over the company throughout the recent stormy years, cleared his desk and slipped away quietly from the Coventry headquarters on Tuesday night.

After 40 years with the company he joined as a schoolboy trainee toolmaker, he told his fellow-directors he was going.

He says the move had been discussed for some time with Graham Day, the new Rover group chief executive. That it was time for a "different management style" had been agreed. Only the timing had been kept secret.

The man whose jutting chin and aggressive style was frequently captured by the TV cameras during car industry crises is in reality a strongly private character. Financially he does not have to work again. But as a fitness fanatic and former soccer wing-half with West Bromwich Albion he has tremendous nervous energy which will have to find an outlet.

He has had several business offers and says "I don't see myself sitting back in contented retirement. I will have to do something."

"This is the Ex-executive model—huge boot, can take the entire contents of any office"

Writers' cramp

The National Union of Journalists has been having a hard time recently in the wake of Rupert Murdoch's audacious midnight flit to Wapping in London's east end last January with his four national newspapers.

Most of the union's members on the papers have continued to clock-on at the Wapping plant in spite of an instruction from the NUJ not to cross picket lines set up by the sacked print workers.

Those journalists are now facing disciplinary proceedings by their union leadership.

But internal strains in the NUJ are good news for the much smaller rival organisation which also represents journalists—the Institute of Journalists.

Showing an unusual agility to make mischief the IOJ has invited Rupert Murdoch's right-hand man, Bruce Matthews, News International's managing director, to be its guest of honour next month at the IOJ conference in Cirencester.

The IOJ leadership hopes that as well as establishing better relations with the Murdoch management it may capture some disaffected NUJ members to swell its ranks.

Observer

Politics Today

Mr Steel's task: to mop up the spilt milk

By Malcolm Rutherford

"THERE'S NO such thing as an unmitigated disaster," an American senator is supposed to have said. "Now get out there and mitigate."

After the disaster of the defence vote at the Liberal Assembly in Eastbourne this week, there is a great deal of mitigating to be done. Against the advice of the party leadership and against the wishes of its Social Democratic partners, the Assembly voted by a small majority against nuclear weapons.

It took some time—at least a few hours—for the magnitude of what had happened to sink in. Indeed some delegates only realised the extent of the potential damage when they saw the headlines and the editorials in the newspapers the next morning. Not only had the leadership been defeated: the future of the Liberal-SDP Alliance and with it the hopes of a new style in British politics were put at risk.

Sir Russell Johnston, one of the older Liberal MPs, said publicly and with obvious emotion: "Some of you are jubilant. I am sick in my stomach."

It was a chastening experience for all concerned and one of the results is a determination that it must not be allowed to happen again. The Liberals and the Social Democrats know that they need each other too much to go back on the Alliance now. Both parties agree that they must reach a joint defence policy by the end of this year, if possible. The Liberals know that they must do something to

Anti-nuclear speakers got away with nonsense

improve their own internal system of communications and the Social Democrats are doing their best not to crow: "We told you so."

Dr David Owen, the SDP leader, remained conspicuously silent until he went on television with Mr David Steel, his Liberal counterpart, last night.

For the moment, however, the milk is still spilt, even if the crying is dying down. How did it come about?

Briefly, it goes back to the report of the joint SDP-Liberal Commission on Defence and Disarmament last June. The Liberals thought they had made a number of concessions to their partner, but Dr Owen objected that the document was still not firm enough on a commitment to replace the Polaris nuclear weapon system.

The resulting arguments seemed to have been smoothed over although Dr Owen's intervention has clearly not been forgotten or forgiven by many of the Liberals who voted at the Assembly this week.

The next important development was the visit of Dr Owen and Mr Steel to Paris early this month. Most of the present troubles stem from that. The two leaders became advocates of a European minimum deterrest, but neither of them was very successful at explaining what they meant. In fact, they were talking about limited nuclear co-operation between Britain and France, starting with a few practical steps like ensuring that the refits of the two submarine fleets did not take place at the same time. Co-operation might eventually extend to weapons procurement and the West Germans were to be brought into the talks. Britain might go ahead with the Trident submarine programme to replace Polaris, but without American missiles. It was an embryonic concept, no more.

Dr Owen got away with it at the SDP conference in Harrogate last week, as one would expect. Mr Steel became too confident and received his come-uppance in Eastbourne.

It should have been relatively easy. If Mr Steel had explained that the talks with the French had only just begun, that the Germans were to be brought in and that the subjects covered disarmament as well as defence, he would almost certainly have got away with it. He might have added that the climate for arms control has recently improved, following the successful conclusion of the conference on disarmament in Europe in Stockholm.

He did none of those things. He did not even speak in the debate, possibly because he had intervened in a defence debate two years ago and had been defeated by the party's more unilateralist wing. Consultations within the parliamentary party about how to handle the debate were minimal, whereas those opposed to nuclear weapons of any kind organised themselves well.

With the exceptions of Mr Alan Beith, the deputy leader, and the veteran Lord Mayhew, almost all those who spoke in favour of the Steel policy did so haltingly and without conviction. The anti-nuclear speakers were frequently allowed to get away with nonsense. They spoke repeatedly of a Euro-bomb, although that was nothing like any proposal that Mr Steel had brought from Paris. For a party that prides itself on being European, the tone was distinctly anti-French. There was no recognition, for instance, that the conference on disarmament in Europe was originally a French idea and that it was the French who first developed the concept of confidence-building measures to reduce tension between East and West. The level of knowledge about arms control was low throughout.

The most remarkable fact of all was that the debate was conducted with barely a reference to the effect of an anti-nuclear vote on the future of the Alliance with the SDP. This was the Liberal Party having an internal debate about values, not about defence policy or how to present a united front in an election.

Reality dawned with the result—a victory by 27 for the anti-nuclear forces out of 1,277 votes cast. The party congratulated itself on the undoubted good temper of the debate. Beneath the surface, however, here is considerable bitterness about the way it was held. It was said that the leadership did not lead, that the parliamentary party has no discipline and very little organisation and that in future there must be some collective responsibility.

Two of the most powerful speeches renouncing a nuclear policy came from the Liberal MPs Mr Simon Hughes and Mr Michael Meadowcroft. Prospective Liberal parliamentary condidates are also complaining that they must be given more guidance about what is going on in the party and the line that they are supposed to take. A frequent comment is that there is now more liaison between the Liberals and the SDP on the ground in the constituencies than between the Liberal leadership and the party's grassroots.

Gradually all this will be cleared up. Everybody involved acknowledges that it must be, if the Alliance is to have a credible future. In terms of winning elections the Liberals are the stronger partner, but they know that they cannot do without the SDP if they want to make a serious breakthrough. Equally, even those Social Democrats who most oppose a formal merger accept that the two parties have to go into the next general election together.

Mr Steel will go on basically as before, though perhaps putting more emphasis on disarmament than defence. The two leaderships will reach a joint policy and the currently favourite idea in the Liberal Party is to put it to a meeting of parliamentary candidates of both parties in a few months' time. The Alliance will then be back on track, or so the theory goes. Certainly the two Davids appear to have come much closer to each other in recent months.

Yet there is an awful lot of ground to be made up, and not much time. Both Labour and the Tories have been relatively quiet so far about what happened in Eastbourne. They have simply watched the story unfold. But the Tories especially must have been gathering a massive amount of ammunition with which to attack the Alliance at their own party conference next week and long after that.

It is not just that the Alliance has been seen to be divided on defence and the Liberals split down the middle. It is that it has been seen to be divided at all. Unity, freedom from the old party factionalism and willingness to work together used to be the Alliance's greatest appeal. Although the desire to reach agreement is perhaps stronger than ever, the picture can be painted very differently from the outside: say, from the Conservative Central Office.

Moreover, the SDP and the Liberals have let their conferences pass without holding any serious debate on the economy and unemployment. Dr Owen's speech in Harrogate last week on the reform of tax and benefits and the relief of poverty has not produced much of a response in Eastbourne. The Liberals had prepared their agenda before they knew the importance he would attach to the subject. Again an opportunity to show the Alliance in action as a united force has been missed.

Mr Steel makes his closing speech at the Assembly this afternoon. Usually he works on the script during the summer holidays and the volume of his assembly addresses* that has just been published makes impressive reading. This time he has been obliged to abandon the prepared text and start again more or less from scratch.

He will defend his defence policy and stress the importance of the Alliance with the SDP. He will receive a prolonged standing ovation as the Liberal

The Tories must have been gathering ammunition

Party salves its conscience for having defeated him earlier in the week. Dr Owen would like him to do a bit more than that. He hopes that it might be possible for Mr Steel to find a way of turning the ovation into an endorsement of the policy of maintaining the nuclear deterrent until such time as arms control makes it unnecessary.

On one point there is no longer any doubt. The two Davids are in this together, sinking or swimming.

* *The Decade of Realignment. Edited by Stuart Mole. Hebden Royd Publications. Price £5.95.*

Lombard

Technology and the Big Bang

By Alan Cane

IT IS more than mere first night nerves. Tomorow sees the first of the dress rehearsals designed to test the electronic systems set up by the Stock Exchange and its members to handle trading after Big Bang next month, and there is a mood of alarm in the City.

There is simply so much left still to do. Every major player, market maker and broker/dealer alike, has fears over projects which cannot be completed by October 27, worries over provision of telecommunications lines and anxieties about the fragility of their software.

The situation at the stock processing bureau NMW, where a faulty computer system is making it difficult for nearly 100 firms to settle their bargains, is only indicative of the wider malaise.

Looking on the bright side, it is now unlikely, although still possible, that any firm will find itself unable to trade on October 27 either because it cannot link to SEAQ, the Stock Exchange Automated Quotation system which will be the sole source of direct market information, or because its settlements mechanism cannot "talk" to the Exchange settlement department. There will be lots of string, sealing wax and traditional muddling through.

For the major players, however, trading efficiency is expected to be dependent on a whole range of separate technologies which, for example, bring trading information from a diversity of sources to the dealers' desks.

The development of the hardware and software for these trading support systems is very definitely non-trivial. The completion of any one of them would be a major project for any firm and nobody would be surprised if there were delays.

Yet the City has attempted, in an absurdly short time, to build a multiplicity of systems, some of great sophistication, others less so. In doing so, it has broken every rule in the project engineering book. The wonder would be if more than a handful of the systems were to be completed on time and work well, rather than the other way about.

A cardinal rule in systems development, for example, is that only one parameter should be changed at any one time. Firms in the City have been changing parameters a dozen at a time.

While many of the firms involved and their suppliers have followed the rules and performed splendidly, it has to be said the overall picture is a poor advertisement for the UK's understanding of, and ability to handle, information technology.

There has been the tension, the anxiety, lurid reports in the press, an unseemly scramble for technical staff resulting in silly salaries and, in the end, no certainty that everything will be all right on the night.

Apportioning blame is much less easy, but it is clear that although the importance of technology to the efficient functioning of the new markets was apparent from the very beginning, the timetable for the end of minimum commissions was set without much regard for, or understanding of, the difficulties.

There is, of course, the argument that without a strict timetable, many of the member firms could not have been persuaded to move at all. Indeed, if they were given at this moment an extra year for development they would be in exactly the same pickle at the end of the12 months.

Nevertheless, muddling through is no longer good enough.

Some of the member firms are bitter at what they see as unreasonable demands by the Stock Exchange itself, pointing, for example, to the length of time the SEAQ system has been unavailable for service testing this summer while the Exchange staff put it through disaster recovery operations.

There are many sides to the argument; but what is certain is that the spectacle has not been impressive.

As markets and competitors change, every company and every industry will sooner or later have to take the significant step of moving from their present level of technology to something better. For these, there is a powerful lesson to be learned from Big Bang and that is that the technology will not take care of itself. It has to be basic to the game plan, rather than tacked on as an afterthought.

Letters to the Editor

Training in engineering

From the Director of Personnel, Ford

Sir,—Alan Pike's recent article "Concern over low intake of apprentices" (September 15) correctly directs attention to the issues of attracting and training new entrants to industry, and for the need for the UK to maintain and improve its skill base.

However, the uncritical use of reduced apprentice intake numbers as evidence that engineering employers "have a far lower commitment to training than our overseas competitors" is highly misleading. No one can deny that intake numbers have declined, but the reasons are many and varied, the *least* of these being a lack of employer commitment to training.

Let me illustrate this in a way which I am sure is typical of many, if not most, engineering employers. In 1980 we employed nearly 8,000 craftsmen in our highest skill category. In 1986, this total has dropped to fewer than 6,000. Why? First, because we have had to respond to overseas competition by becoming more efficient in the use of our workforce. Our apprentice intake has reflected this. Secondly, the advanced equipment now commonplace in engineering is not only inherently more reliable, but also requires very different kinds of maintenance skills.

Adult training to meet the demands of new models, new technology and new working practices has grown by leaps and bounds over the past five years. Without it, we could not have survived in the marketplace.

While on the topic of adult training, may I point out that evidence from a number of MSC-sponsored surveys shows that the UK spends virtually as much of its GNP on training adults as West Germany. But Germany spends far more than the UK on the training of young people under 18. It is the concentration on this age group which has created the highly competent workforce so often quoted as a major reason for West Germany's economic success.

Of course, employers need to tackle skill shortages vigorously when and where they arise. At the highest level, this is a national problem and industry's support for the Information Technology Skills Agency is evidence that we take this seriously. As far as lower-level skill problems are concerned, we are glad to learn that the MSC is now acting upon what we have been advocating for several years, that a locally-based employer infrastructure — similar to, if not as comprehensive as, the West German Chambers of Commerce network — is what is needed to resolve such problems. These are not and never have been conducive to solution at national, or even at sectoral level. For example, less than half of Britain's engineers work in the so-called engineering sector and it is only at local level that shortages, surpluses and the movement of engineering craftsmen between firms become visible and manageable.

Finally, let me emphasise once again that the main thrust we should all be making is to develop a system which achieves the same positive results as the West German Dual System. The two-year Youth Traning Scheme is certainly a step in this direction, but it needs to become a comprehensive programme for school-leavers before it is the Dual System's equal. Significant progress towards this will not be made overnight, but we should concentrate our energies on this objective.

J. W. Hougham,
Eagle Way,
Brentwood, Essex

Applications by stockbrokers

From Mr B. J. Fisher

Sir,—As a member of the Stock Exchange, I feel that a protest should be registered about the excessive bureaucracy demanded by Lazards and Peat Marwick concerning applications submitted by stockbrokers on behalf of their clients.

In order to claim commission, which will probably be in the region of £3 per application, we must maintain a detailed alphabetical list of applicants together with addresses and the number of shares for which they have applied. In addition, instead of sending application forms to our clients for completion and onward transmission to the relevant banks, the form has to be returned to us by our clients before our stamp is affixed and the form lodged on their behalf. Finally, a statement has to be submitted to the effect that all reasonable steps have been taken to eliminate multiple applications.

While I understand that these measures are designed to counter abuses like the multiple British Telecom applications and, at the same time, satisfy political directives N. M. Rothschild should consider carefully these criticisms before implementing a similar application procedure for British Gas, which may not be as popular as TSB and, therefore, may require greater effort and co-operation from stockbrokers to ensure a successful launch.

Lazards are the merchant bankers to this issue and together with Peat Marwick are, no doubt, being paid a substantial fee for ensuring that multiple applications are rejected. Therefore I question why stockbrokers should be subjected to this tedious, time-consuming rigmarole when the monitoring responsibility should lie with the issuing house.

B. J. Fisher.
The Stock Exchange, EC2.

A boom in the tanker market

From Mr D. N. Pateras

Sir,—Your article "Loews bucks the supertanker trend" (September 3) does not reflect reality. The tanker market since the last quarter of 1985 is not "severely depressed." Indeed, it has been experiencing a boom.

Furthermore, if Loews, as you say, is "gambling that the conventional wisdom in the world tanker market is wrong" and it is "betting that (it) will improve," it follows that the conventional wisdom believes the market will fall, which is also not true.

Second-hand values have shot up in anticipation of improved freights in the future.

I cannot help wondering how accurate your paper is on other matters you cover when the one thing I do know something about is reported inaccurately.

Small items make reputations.

D. N. Pateras.
12-14 Mitre Street, EC3.

Those who leave the promised land

From Mr A. D. C. Evans

Sir,—Mr Harris, in his letter on voting rights for Britons abroad (September 18) suggests that the disenfranchisement of long-term non-resident Britons is the result of nothing more sinister than an oversight in drafting the legislation.

A cursory look at the rules on voting and the broader background of the nationality issue will quickly dispel any such illusion. Apart from peers of the realm, who cannot reasonably be entitled to vote in elections for the Lower House, the only broad classes of adults disbarred by status from voting are foreigners, the insane, and those detained in Her Majesty's prisons.

At the same time, British immigration policy, particularly the degrading treatment handed out to foreigners arriving at British ports and airports, makes it quite clear that in the eyes of Whitehall at least, the UK remains a promised land which would be swamped by alien hordes should ever the rules on immigration be relaxed.

The conclusion to be drawn from these two observations is evident: any individual lucky enough to be born British who chooses to leave the country must be either mad or a criminal, if not both.

Under such circumstances, indeed, we should rather be thankful that we are allowed back into the country.

Andrew Evans.
1 Promenade des Quatre Seigneurs,
Volmerange-les-Mines, France.

First class pretences

From Mr J. G. Ash

Sir,—At a time when the return of TSB share offer applications require a level of service which the Post Office claims to offer, the following record may be of interest.

Of three letters posted first class on Wednesday, September 17 in London, all with correct post codes, the first to arrive was in Edinburgh, second post Friday September 19. The remaining two, to Oxford and Harpenden, Herts, arrived by a late delivery on September 20. There was thus 100 per cent failure by the Post Office to achieve its declared efficiency in delivering first class mail the following day.

If money was taken by an ordinary citizen on this basis he would probably be charged with obtaining money by false pretences. Is it not time that the Post Office either made its service match up to its claims (the above are by no means isolated instances, but a general guide to a level of performance this year) or alternatively ceased to make false claims?

No doubt reasons will be given, but what the ordinary letter writer wants most is a service as advertised.

J. G. Ash.
14, Highdown Road,
Roehampton, SW15.

Gilt-edged service

From Mr M. Russell

Sir,—The postman delivered at about 9.30 this morning Pember & Boyle's daily list of the true yields on the principal British Government securities for today. The envelope was postmarked 3.45 am the same day. I think efficiency should be rewarded at least with compliments.

Martin Russell.
Dungrove Farm House,
Tarrant Gunville,
Blandford, Dorset.

Safe only in Japan

From Mr M. French

Sir,—From Mr Mimura's letter (September 17) we must assume that the special Japanese skis which are being developed for the unique qualities of Japanese snow will be totally unsuitable for use in Europe and America and should be banned from sale on those continents.

M. French.
Modbury,
Longdown, Exeter.

FINANCIAL TIMES

Friday September 26 1986

German banks warn on Heimat group sale

By Peter Bruce in Bonn

THE SALE by West Germany's trade union umbrella body, the DGB, of its large Neue Heimat property group ran into trouble yesterday when eight of Neue Heimat's creditor banks warned that they would continue to hold the unions responsible for Neue Heimat's DM 3bn ($1.5bn) debt.

The unions set off a political controversy by agreeing to sell 190,000 Neue Heimat homes last Friday to a Berlin baker, Mr Horst Schiesser, for a token DM 1 and promising him credit of up to DM 1bn over the next 20 years, to help him run the group.

Neue Heimat's creditor banks, which number more than 100, are owed some DM 1.7bn by the end of this year. Yesterday the Deutsche Genossenschafts Bank, in a statement issued after talks with seven other banks expressed "disappointment" with the unions. The seven other banks were the Deutsche, Dresdner, Commerzbank, the WestLB, the Bayerische Vereinsbank and the Bayerische Hypotheken und Wechsel-Bank and the BHF

The Deutsche Genossenschafts-Bank's statement, which concided with the Neue Heimat supervisory board's final approval of the sale, said the the DGB holding company, the Beteiligungsgesellschaft für Gemeinwirtschaft, would be "held fast" to its responsibilities for Neue Heimat.

Neue Heimat is the biggest home-owner in the West but it was brought close to ruin in the late 1970s. In 1982 it was discovered to have liabilities totalling DM 17bn. Attempts to revive the group and sell off property to cut debt have failed. Interest on loans costs Neue Heimat more than DM 1bn a year.

Bankers, tenants and the union's closest political ally, the opposition Social Democrats, were nonetheless taken completely by surprise by the sudden sale. For most of this week attention has focused on whether Mr Schiesser is capable of paying off Neue Heimat debt

Japan accused of US chip pact violation

BY LOUISE KEHOE IN SAN FRANCISCO

ONE JAPANESE chip maker has already violated an important semiconductor trade agreement between the US and Japan implemented just three weeks ago, a US semiconductor industry executive has charged.

The detection of the alleged violation, which was brought to the attention of the US Commerce Department last week, demonstrated the trade pact, designed to regulate chip prices worldwide, was working, US semiconductor industry officials said.

Mr George Scalise, chairman of the Semiconductor Industry Association public policy committee, a group spearheading the US industry's complaints against "unfair Japanese trade practices," said one Japanese chipmaker, which he declined to identify, has been selling EPROMs (electrically programmable read only memory) in a third country below "fair value" in violation of the trade agreement.

The US Commerce Department is investigating the dumping charge. The US and Japanese Governments have already discussed the issue, Mr Scalise said.

This case of alleged dumping and "other indications" that Japanese chip makers were selling chips below fair value outside the US may necessitate emergency consultations between the US and Japan before the schedule date in November, he said.

A US trade official, however, said no decision has yet been made on whether to call for emergency consultations with Japan.

The US semiconductor industry was determined to ensure that two-tier chip pricing that would be a disadvantage to US chip buyers did not occur.

US chip buyers claimed, however, that the trade agreement had already resulted in a dramatic increase in US prices for some Japanese chips while prices in Japan have fallen. The trade agreement was "a disaster for the US electronics industry," computer company executives said.

Defending the trade agreement against widespread criticism, Mr Clayton Yeutter, a US trade representative, who addressed a meeting of semiconductor industry executives in silicon valley on Tuesday night, said he "had not seen one legitimate criticism of the trade agreement since it was signed.

"Nobody should have been shocked that the agreement resulted in higher chip prices. No consumer is entitled to insist on dumped prices."

Prices could have risen even more steeply if dumping cases suspended as part of the trade agreement had been concluded, he said.

Other nations had taken "cheap shots" at the agreement without even reading it, Mr Yeutter charged. He was also harsh in his criticism of the US and foreign press which he claimed has misrepresented the agreement as a price cartel.

NEC encouraged by planned link-up deal with Honeywell

BY IAN RODGER IN TOKYO

NEC, the leading Japanese electronic products group, was trying hard to be coy yesterday about the potential link-up of its computer business with those of Honeywell of the US and Bull of France.

"We have not received any detailed request from Honeywell," an NEC spokesman said. "When we receive one, we will consider seriously whether or not it would enhance NEC's computer operations.

Behind that coyness, however, is considerable excitement about the potential benefits for Japan's third largest computer maker (after Fujitsu and IBM) of a joint venture with Honeywell and Bull.

Honeywell, the third largest US computer maker, announced on Wednesday that it was planning to combine its $2bn information systems business with those of NEC and Bull.

The main advantage for NEC in such a combine would be to provide well established distribution channels throughout the huge US and European markets for the company's increasingly competitive computer equipment.

NEC, which is best known as the world's leading semiconductor maker and a major telecommunications equipment supplier, has long had global ambitions in the computer industry as well. Computer equipment accounted for about a third of the group's Y1,889bn ($12.2bn) sales in the year to March 31 1986.

However, NEC has had difficulty making much of an impact to date outside Japan. Its personal computers, for example, may have 70 per cent of the Japanese market but they flopped in US and European markets because they were not compatible with the IBM pc.

Exports accounted for only 14 per cent of NEC's Y520.3bn of computer equipment sales last year. Most of the exports are of peripheral equipment, such as printers and disk drives, areas in which NEC has developed technologically advanced products.

A growing portion is the result of existing arrangements with Honeywell and Bull. Last year, for example, Honeywell agreed to market NEC's large-scale ACOS mainframe computers, including the ACOS 2000, the world's fastest computer, in the US. Bull has a similar arrangement with NEC on large mainframe computers.

A more comprehensive agreement with Honeywell and Bull would open the way for a much larger flow of NEC's products. The three companies have had close technological links for many years,

Pretoria puts new curbs on information flow

By Anthony Robinson in Johannesburg

SOUTH AFRICA's Bureau for Information, the sole source of official information on unrest in the country since the declaration of the state of emergency on June 12, has decided to close down its Pretoria media centre "in the interests of accuracy."

The bureau will continue to issue its daily unrest bulletin, which provides a skeletal account of unrest as reported to it, principally by the South African police. But it will no longer respond to requests by telephone, except "in exceptional cases such as acts of terrorism" and will in future only respond to media requests by telex. Even then, it will respond "only when in possession of all the salient and verified facts."

The decision to close down the media centre, set up after tight clamps were placed on independent reporting of unrest as part of the emergency package, follows heavy criticism from the media and opposition MPs.

In July Mr Peter Soal of the Progressive Federal Party (PFP), said that the bureau should be renamed the bureau for non-information or disinformation.

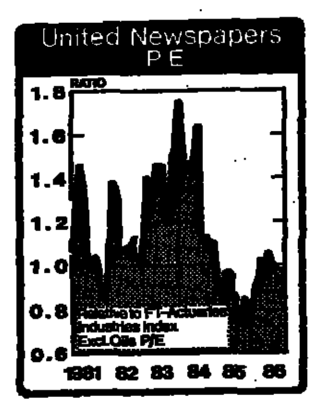
The bureau recently came under heavy criticism – and ridicule – for spending R1.6m ($715,000) to promote a "song for peace" sung by South African pop stars copied from the highly successful "band aid" swing-along number "we are the people."

The credibility of the bureau sank even further last month during the eviction riots in Soweto when it heavily downplayed the seriousness of the incident and the death toll in the face of strong evidence to the contrary from eye-witnesses and doctors who attended to the dead and injured.

THE LEX COLUMN

Paper profit at United

The City of London fire brigade had more success in putting out yesterday's saddening blaze at the Bank of England than the authorities did in quenching the international desire to sell sterling. With clouds of smoke swirling round gilt-edged and equities alike (and a shaky start on Wall Street) it was a black day all round.



United Newspapers

Having talked itself into some despondency after the most recent circulation decline at the Express, the market was relieved at yesterday's figures from United Newspapers. These showed a modest increase in first half profits to £22.5m before tax – an extra £3m was squeezed from the marginal £200m of turnover – and no worse than a 38 per cent drop in earnings per share.

Under the avalanche of paper, it is no wonder that United's shares have crumpled to almost exactly a market rating. But they represent the most direct exposure to the revolution in newspaper cost structures. The indications are that United is set to take full advantage of its planned annual cost reduction of around £50m – with more to come if it decides to move production out of Fleet Street. At this level, United's share price could be regarded as a less than generous valuation of the profits to come, even after the 28p jump to 373p yesterday. But that does assume that the Express can be set moving the right way without United being compelled to plough as much money into promotional games as it has into redundancy.

Norton

Given the growth-compulsion that drove Norton Opax to bid for McCorquodale in the first place, it is not illogical of Norton to bounce straight back from the Monopolies Commission with an increased offer. Apart from some doubts about loss of business in cheque printing; where there is direct competition between the two, Norton still sees McCorquodale as the best vaulting horse it can find. An McCorquodale still has a sufficiently mediocre record – minimal earnings growth, plenty of rights issues – to be vulnerable at the right price.

In a falling market, the City is unlikely to waste much time on Norton's paper offer. The attempt to quadruple its capital took almost enough out of Norton's share price yesterday to bring the paper terms down to the underwritten cash alternative of 260p. In an environment where cash can be parked in gilt-edged at yields of more than 11 per cent and equities are faltering, the cash may be decisive (for the tax-exempt, at least). The amount of paper that Norton would stand to issue – whether to shareholders in McCorquodale or to the underwriters – suggests that Norton must have real difficulty avoiding dilution. McCorquodale's ACT backlog would help to reduce the effect, but it could take some time for Norton's shares to dry out.

RMC

For RMC, the news from Germany is still bad. Volumes of ready-mixed concrete have not picked up at all from the first half of 1985, when bad weather and lost tax subsidies fell in on an overbuilt market and demolished sales; and the inevitable pressure on prices has followed. With volumes going nowhere in the UK either, it is little short of remarkable that RMC has plugged its costs and churned out some profits growth – and at quite a handsome level: profit before tax was up 30 per cent at £33m, double the rate of sales growth and a higher nominal level than at the interim stage in 1984.

Yesterday's figures were a little overshadowed by RMC's challenge to the cement cartel in the form of a hint that it might buy some Greek-speaking cement; but, given the much greater operational flexibility of RMC, this is not very surprising. What effect there will be on concrete prices has yet to be seen. In less mature markets, most notably France and Spain, RMC is having some success in displacing site-mixing; and, providing there is no concrete price war, RMC is on target for well over £90m in pre-tax profits for the year. The share price fell 2p to 632p; but then it is now trading at 11 times this year's earnings, against a humble seven in darkest last September.

Warburg, Cruickshank

In the wake of another defection by a broking research team to join a marketmaker, the gentlemen's agreement between Warburg Securities' and Alexanders Laing & Cruickshank's investment trust teams is all the more understandable.

The party line that the two teams liked their parents so much that no amount of golden belloing could induce a straight takeover is rather touching. It seems equally likely that neither side was prepared to risk the substantial expense that such radical action would have involved.

In the case of ALCH, to have gone for a marketmaking role in such a large sector – even one it understands so well – would have apparently exceeded its ambitions.

Warburg has the ambition and the capital backing to compete in a sector characterised by the frequent trading of large institutional blocks of shares. So it must have been a source of dismay to the Akroyd dealers when they discovered that brother Rowe & Pitman had no position in the investment trust sector.

The agreement means essentially that Akroyd will have first refusal on any business that comes ALCH's way. A constant supply of free Laing & Cruickshank research documents should help Akroyd keep its book, the nature of which Laing will know at all times. ALCH can go elsewhere if it feels that Akroyd's price is not the best deal for its client.

But any other marketmaker receiving a proposition from ALCH's investment trust share distributors will react in the knowledge that he is being offered second-hand cheese. To that extent it seems that Warburg is getting the best of the arrangement. Whatever the balance of advantage the deal is timely. The hefty discount to assets on which the trust sector trades is a function of illiquidity. And Big Bang is all about breaking that down.

BEHIND THE SCENES RACE TO RESOLVE COMPUTER HITCHES

The final act of Big Bang's rehearsal

BY ALAN CANE IN LONDON

WITH Big Bang in London's securities markets only a month away, engineers and software specialists are still working feverishly to get trading systems ready for the October 27 deadline.

On that date, minimum commissions will be abolished and the market structure changed in such a way that efficient telecommunications and computing will be greatly more important than at present.

On the eve of the first dress rehearsal to test the systems, the most pressing anxieties include:

● Severe problems with a new system installed by NMW Computers, a leading stock processing bureau, has meant that about 100 firms, including the giant Nomura Securities, have had weeks of indifferent service. There are fears that if the problems cannot be eliminated, the London Stock Exchange would have to take emergency action to ensure that NMW's clients would be able to settle their bargains after Big Bang.

● At least two potential marketmakers are still under scrutiny by the stock exchange settlement department because their systems for clearing bargains are a long way from completion. Another four firms are on the department's "sick list."

● The exchange's information system division is to send out teams to inspect computer systems at 30 of the largest firms to ensure they can properly receive and transmit trading information over electronic links.

Any firm which fails to satisfy an inspection will not be allowed to trade. The inspections taking place over the next few weeks are preliminary making sure the faults are fixed before the final review.

The exchange itself is still installing the last of its Digital Equipment Vax supermini computers. Work started yesterday on installing two "back-up" machines for the Epic trading database and the computer-to-computer links between the exchange and member firms.

The problems at NMW Computers, which handles settlement of bargains between brokers and their clients and is responsible for communicating details to the exchange's settlement department are potentially a serious threat to a smooth transition on October 27.

The bureau has installed large ICL mainframe computers to cope with the expected transaction volumes after Big Bang, but problems with the operating software provided by ICL have resulted in a service which has varied from "not very good" to "disastrous" over the past few weeks, according to its customers.

Mr Nigel Bannister, NMW managing director, says the problems were expected and that there had been steady improvement. Mr Mark Wood, managing director of Broker Services, a clearing company established as a joint venture between Barclays Bank and NMW and which uses the NMW service agreed: "Nobody could dispute that August was awful but the service in September has been very acceptable."

So far this week, the system has broken down only once.

Mr Michael Baker, head of settlement services at the Stock Exchange says he remains concerned: "The worry is that if NMW cannot handle high transaction volumes, there will be serious difficulties."

At worst, he could supply each firm with a personal computer and a telephone line to input data.

Lombard, Page 15

Nigeria seeks credit

By Peter Montagnon in London

NIGERIA is seeking a $200m to $300m bridging loan from central banks in leading industrial countries to help smoothe the development of a two-tier foreign exchange market which is due to start next week.

The UK is taking the lead in the loan discussions which are at a sensitive stage and it is not yet certain when, or even whether, a credit will materialise.

The idea would be that the loan would bridge the gap between now and the start of payments on a $450m adjustment loan that Nigeria expects to receive from the World Bank to strengthen its non-traditional export activities.

Both loans come against the backdrop of improving relations between Nigeria and the International Monetary Fund. The IMF's demand for a devaluation of the naira has long been a highly charged political issue for the Government of President Ibrahim Babangida.

Commercial banks would not be involved in the bridging loan but agreement on any such loan would improve the climate for their separate discussions on a rescheduling of Nigeria's $7bn in medium and long-term commercial bank foreign debt.

Earlier this month Nigeria won a further three month delay on principal repayments from commercial bank creditors pending the resumption of rescheduling discussions in October.

Bankers have said they expect these negotiations to be long and difficult, but signs of support for Nigeria from the official sector may well encourage them to move faster towards an agreement.

Early warning options

Continued from Page 1

faint possibility of the RAF doing with less than its stock of 11 Nimrod AEW airframes, in order to give the French some.

GEC last night expressed pleasure that its claims of technical progres over the past six months had been borne out by its inclusion on the AEW short list, and that it would now be "a straight fight" with Boeing.

In March the UK Defence Ministry gave GEC six months and limited and provisional funding to show it could salvage its radar programme, and at the same time invited outside competition. The major contenders knocked out of the competition yesterday were Grumman which offered an APS-145 radar in its P-3 Orion aircraft.

The minor UK contenders were MEL, a UK subsidiary of Philips of the Netherlands, Airship Industries and Pilatus-Britten-Norman.

Bundesbank holds rates

Continued from Page 1

and would help relieve tension in the European Monetary System (EMS) where the D-Mark is uncomfortably buoyant.

On the face of it, the latest German trade and current account figures appear to lend weight to the US argument that the Federal Republic should be doing more to cut its surpluses.

The August trade surplus, at DM 8.9bn, was down on the record DM 10.9bn of July but far above the DM 3.4bn of August last year. Moreover the current account was DM 5bn in the black – a highly unusual result since heavy spending by Germans on foreign holidays usually drives the August figure into deficit.

However, the nominal surpluses conceal the fact that in real terms (after allowing for changes in export and import prices) German exports are virtually stagnating while imports are growing fast.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	24	75	Dubrovnik	C	21	70	Malta	S	28	82	Rhodes	S	28	82
Algiers	S	28	82	Edinburgh	C	15	59	Manchester	F	13	55	Rio de J'o	C	36	96
Amsterdam	S	14	57	Faro	S	24	75	Manila	S	32	90	Rome	F	26	79
Athens	S	28	82	Florence	F	23	73	Melbourne	F	19	66	Salzburg	C	16	61
Bahrain	S	37	99	Frankfurt	S	15	59	Mexico City	–	—	—	San Francisco	S	20	68
Bangkok	S	33	91	Funchal	S	23	73	Miami	C	32	90	Seoul	S	25	77
Barcelona	S	23	73	Geneva	C	17	63	Milan	C	18	64	Singapore	C	31	88
Beirut	–	—	—	Gibraltar	S	26	79	Montreal	C	22	72	Stockholm	S	10	50
Belfast	F	14	57	Glasgow	F	16	61	Moscow	F	7	45	Strasbourg	S	15	59
Belgrade	F	19	66	Guernsey	F	14	57	Munich	F	14	57	Sydney	S	27	81
Berlin	F	13	55	Helsinki	C	6	43	Nairobi	F	28	82	Taipei	C	28	82
Biarritz	R	15	59	H. Kong	C	28	82	Naples	C	26	79	Tangier	F	23	73
Bombay	F	31	88	Innsbruck	F	17	63	Nassau	–	—	—	Tel Aviv	S	32	90
Bordeaux	R	15	59	Inverness	C	16	61	New Delhi	T	23	73	Tenerife	S	28	82
Brussels	S	13	55	Islamabad	S	34	93	New York	C	26	79	Tokyo	C	26	79
Budapest	F	17	63	Istanbul	S	22	72	Nice	C	18	64	Toronto	C	24	75
B. Aires	C	19	66	Jakarta	R	29	84	Nicosia	S	33	91	Tunis	R	27	81
Cairo	S	34	93	Jersey	F	15	59	Oporto	F	20	68	Valencia	S	27	81
Cape Town	S	18	64	Jo'burg	S	24	75	Oslo	S	9	48	Venice	F	17	63
Caracas	C	27	81	Lima	C	17	63	Paris	F	14	57	Vienna	S	15	59
Casablanca	F	23	73	Lisbon	F	20	68	Peking	F	22	72	Warsaw	F	12	54
Chicago	C	22	72	London	C	15	59	Prague	S	13	55	Washington	S	14	57
Cologne	S	16	61	Los Angeles	F	16	61	Reykjavik	C	10	50	Zurich	C	12	54
Copenhagen	S	14	57	Luxembourg	S	14	57								
Corfu	S	27	81	Madrid	F	20	68								
Dallas	C	25	77	Majorca	–	—	—								
Dublin	F	14	57	Malaga	S	29	84								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Paris offers discount on Elf shares

Continued from Page 1

France, carries warrants giving holders the right to subscribe to a new issue of Elf shares worth a further total of FFr 2.1bn over four years.

The price of Elf shares being sold by Erap has been set at FFr 305 each, while the price of those which will be offered to holders of warrants is FFr 315. These prices are well below the latest bourse trading levels of Elf at around FFr 340.

Elf shares were suspended on the Paris bourse yesterday morning. The Finance Ministry, which is in charge of the overall privatisation programme, decided on the offer prices following a ruling from the Government's newly set-up Privatisation Commission valuing Elf shares at not less than FFr 300 each.

Erap is not subscribing to the bond issue. The combination of the outright Erap share sale and the potential exercise of warrants by bond holders would allow the state share to fall to just above 50 per cent.

Because of Elf's strategic role, the Government does not want, for the moment, to relinquish majority control. The sensitive position of Elf was underlined last week when the Government announced it would keep a "golden share" in Elf giving the Finance Minister the right to veto over the next five years any purchase by an individual investor of more than a 10 per cent stake in the company.

Mr Pierre Boisson, the Erap chairman, said last night that the financial package deal, which has been under discussion for several months, is aimed at serving the interest of the state in boosting budgetary receipts and of Elf in increasing its capital resources.

Mr Michel Pecqueur, Elf chairman, said stabilisation of the oil price after the recent Opec agreement – which has bolstered the Elf share price – should support demand for the issue.

He said acquisitions planned by Elf with the use of additional financial resources could be in the oil and fine chemicals sectors as well as in areas such as biotechnology.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 26 1986

Lorimar launches share offer to raise $275m

BY ANATOLE KALETSKY IN NEW YORK

LORIMAR-Telepictures, the rapidly expanding television production company with successful TV shows such as Dallas, Falcon Crest and Knots Landing, is launching a public share offering of $275m.

Lorimar's chairman, Mr Merv Adelson, is laying the groundwork for a $2bn borrowing and buying spree which will rapidly make him one of the largest owners of television stations in the US.

The share offering will be for 15 per cent of the equity in a newly formed subsidiary called Lorimar-Telepictures Entertainment Corp., which will take over the parent company's lucrative programming and syndication business, as well as an advertising agency, Boxell, Jacobs, Kenyon and Eckhardt, recently purchased by Mr Adelson.

The proceeds will be used to pay off intercompany debt to a holding company also newly created, called Lorimar Telepictures Group.

The holding company will then create another new subsidiary, Lorimar-Telepictures Broadcasting. The broadcast company will offer roughly 15 per cent of its shares to the public after reaction has been gauged with the entertainment corporation's offer. It will simultaneously attempt to raise, presumably from banks and bond markets, the additional financing required for the $2bn acquisition of nine television stations which Lorimar lined up over the summer.

Most of these television staton acquisitions, which are the key to Lorimar's expansion, had been agreed in principle in May with broadcast holding companies controlled by Kohlberg, Kravis, Roberts, the New York investment bank which specialises in leveraged buyouts.

But even KKR and Drexel Burnham Lambert, Lorimar's financial advisers, appeared to be at a loss to organise the required $2bn in financing.

In the face of investor unease about Lorimar's growing leverage and the cash flow required to service $2bn of debts, bond investors appear to have taken fright and Lorimar's stock price has fallen from $30¾ in May, just before the TV station acquisition was announced, to around $19 this week.

In July Lorimar said it would attempt to finance a larger proportion of its purchases with bank debt and equity issues after a corporate restructuring.

The initial stock market response to this week's first step in this strategy was neutral, with little or no movement in Lorimar shares.

US banks drop $697m hostile bid for Anderson, Clayton

BY OUR FINANCIAL STAFF

THE MONTHS-LONG battle for control of Anderson, Clayton appeared to be entering a new phase last night after the withdrawal by Bear Stearns and Gruss & Co, two US investment banks, of a hostile $697m tender offer for the Texas-based food processing group.

Shares in Clayton rose $1¾ to $65 in morning trading yesterday amid speculation that Quaker Oats, the big US foods group, may be a potential bidder at $65 a share.

More than 3m shares had been traded by mid-morning, including a 1.7m share block that is rumoured to have been bought by Quaker Oats.

Quaker Oats declined comment, but confirmed that Salomon Brothers, which crossed the block, was the company's investment bank.

The withdrawal from the fray of Bear Stearns and Gruss comes a few days after Ralston Purina, the world's largest petfood producer, said it was considering a tender offer for Clayton of $62 a share, or $750m. The Bear Stearns/Gruss offer, initially launched in June at $54 a share, was later increased to $56.

The Bear Stearns/Gruss move had apparently ensured that Purina's friendly approach would be successful. Negotiations had been expected to produce a final agreement by today.

Quaker Oats had been a third partner in the Bear Stearns/Gruss offer, and had planned to provide $250m to help finance the offer. In return, it would get Clayton's profitable Gaines petfood division.

Mr Alan Greditor, an analyst with Drexel Burnham Lambert, said Clayton would be an "attractive acquisition" for either Ralston or Quaker because of Gaines, whose petfood brands include Gravy Train and Top Choice.

A friendly takeover by Ralston Purina would extricate Clayton from a legal morass surrounding its controversial recapitalisation plan which had been announced before the Bear Stearns/Gruss bid. Last Friday, the Delaware Chancery Court barred the company from proceeding with a partial buyback of shares which was an integral part of the plan.

Acquisition of the Gaines unit would boost Purina's share of the US petfood market from 27 per cent to 34 per cent. Purina is selling its US animal feeds business to British Petroleum for $500m.

Edelman bids $1.8bn for Lucky Stores

By William Hall in New York

THE SHARES of Lucky Stores, the 55-year-old retailing chain, jumped to a premium yesterday after the news that Mr Asher Edelman, the New York corporate predator, had proposed buying the group for $1.8bn.

The California-based retailer, which employs 68,000 staff in its 1,467 stores, said yesterday that its board of directors would consider Mr Edelman's unsolicited $35 per share proposal at its next board meeting on October 2. The shares of Lucky Stores, which have been rising steadily in recent days on speculation that a corporte predator was building a stake, rose by another $1 to $35 in heavy trading yesterday.

Mr Edelman, who is believed to have acquired 3 per cent of Lucky Stores in recent weeks, said he and an affiliated group wanted to acquire Lucky Stores "through a negotiated transaction in which shareholders would receive $35 per share in cash."

He said that his proposal was based on a preliminary review of publicly available information and was subject to financing. Lucky Stores is the latest in a string of big US retailers to become the targets of unsolicited takeover bids and reflects a growing feeling on Wall Street that the shares of such companies are worth more than their current price because of their valuable real estate holdings.

Lucky Stores' recent performance has been poor. Its earnings rose to close to $100m in 1979 and since then have moved sideways. In 1985, the group earned $86.5m, or $1.64 per share, on sales of $9.4bn and assets of $1.9bn.

● Mr Alan Clore, the British investor whose name has been frequently associated with contested takeover bids in the US, has disclosed that he holds a 5.5 per cent stake in Allied Stores, the big US retailer which has rejected a $58 per share bid, worth $1.74bn, from Campeau Corporation, a Canadian real estate developer. Moussaro Commercial, a company associated with Mr Clore owns 2.6m Allied shares which it bought for investment purposes in connection with "bona fide arbitrage activities." Allied shares rose by $¾ to $61½ in heavy trading yesterday.

Consob seeks to clarify Fiat role in Libya deal

BY ALAN FRIEDMAN IN MILAN

ITALY'S Consob stockmarket authority has asked the Agnelli family's Ifil holding company to clarify details of its purchase of Fiat shares from Libya. This includes aspects of a $1.1bn fund-raising operation designed to finance the Agnelli's purchase of a 7.5 per cent stake of Fiat ordinary shares from Libya.

The Consob request comes amid widespread discussion in Italian financial circles of the fund-raising exercise organised by Mediobanca, the Milan merchant bank which has traditionally been allied with the Agnelli family.

In order to acquire 100m Fiat ordinary shares from Libya (half the 15.19 per cent ordinary shareholding being sold by Tripoli), the Agnelli holding vehicle is to receive L1,600bn ($1.1bn) from Mediobanca.

Mediobanca is raising the money by means of a 10-year convertible bond issue which is itself being bought by Fiat. As a result of the deal the Agnellis will increase their holding in Fiat to more than 40 per cent of ordinary share capital.

The flow of funds is thus from Fiat to Mediobanca to the Agnellis and finally to the Libyan Arab Foreign Investment Company (Lafico), which this week agreed to sell out its total Fiat shareholding, two thirds of which is being placed internationally by Deutsche Bank. Libya will earn about $3.1bn on the share disposal.

The $1.1bn of Mediobanca bonds, however, are convertible into shares of three companies which have been, until now, controlled by the Agnelli family vehicle – these are Toro, the insurance company with L555bn of 1985 premiums; Saes, a quoted shell company which controls the Rinascente department stores group, and Mito, an investment fund.

As a result of the conversion by Fiat of the bonds into shares of Toro, Saes and Mito, effective control of these three companies will pass from the Agnelli family holding company to Fiat itself.

The Mediobanca bonds are convertible into Toro, Saes and Mito shares only after an initial 19 months, according to Mr Cesare Romiti, Fiat managing director. But Mr Romiti was quoted yesterday as saying that it had been agreed that management control of Toro, Saes and Mito would "pass immediately" to Fiat or Fiat-held subsidiaries, before the bonds are actually converted into shares.

ZF and Dana scrap transmission merger

BY JONATHAN CARR IN FRANKFURT

ZAHNRADFABRIK Friedrichshafen (ZF) of West Germany and Dana of the US, two leading vehicle component manufacturers, have dropped efforts to merge their truck transmission operations after three years of talks.

ZF said yesterday that the merger aim could not be realised mainly because of differences in the valuation and tax systems of the two countries.

The companies had planned to set up a worldwide transmission partnership, to be called ZF-Spicer. Under the deal, Dana would have gained access to a product line which meshed well with its own, while ZF would have won a marketing and manufacturing foothold in the key North American market.

Despite the setback, ZF, which had ground sales in 1985 of DM 4bn ($1.9bn) and is almost 90 per cent owned by the Zeppelin foundation, is pushing ahead with its efforts to expand in the American market.

In July it won an order worth more than DM 1bn to supply in excess of 100,000 automatic transmission systems for a new medium-sized car which American Motors plans to build in Canada. Last year ZF gained an order from Ford to supply 600,000 light-truck transmission systems in the next five years.

Olivetti lifts interim revenues

By Alan Friedman in Milan

OLIVETTI of Italy yesterday said its consolidated group revenues rose 9.4 per cent, to L2,737bn ($1.9bn) in the first half of this year. However, the group did not disclose profits for the six months, but said cash flow increased 26 per cent to L491bn.

For the whole of last year Olivetti made a consolidated net profit of L503.7bn on group revenues of L6,130bn.

Mr Carlo De Benedetti, Olivetti chairman, said yesterday the group's full-year 1986 profit would be higher than in 1985. He said Olivetti had sold 225,000 personal computers in the first half of 1986

Valeo plans FFr 500m issue

By David Housego In Paris

VALEO, France's leading car components group, yesterday announced a sharp turnaround in its results with a first half net consolidated profit of FFr 140m ($20m).

The return to profit follows the winding down of the group's restructuring operations and an increase in export sales. Valeo made consolidated losses in the first half of 1985 of FFr 22m.

At the same time, the group announced that it would be raising FFr 500m in fresh capital through an issue of share warrants to help reduce outstanding debt put at FFr 5.5bn at the end of 1985.

Mr Carlo De Benedetti, the Italian industrialist, recently gained management control of Valeo in a controversial takeover bid which left him with a 20 per cent stake in the company. Mr De Benedetti's nominee as chairman, Mr Noel Goutard, the former managing director of the Thomson electronics group is taking over the chairmanship of the company in January with the retirement of Mr André Boisson, the current chairman.

RAS profits soar

By Our Milan Correspondent

RIUNIONE Adriatica di Sicurta (RAS), Italy's second largest insurance group, controlled by West Germany's Allianz Versicherung, yesterday announced an 80 per cent leap in consolidated net profits for the first half of this year, to L91.3bn ($64.6m).

RAS said the figure was struck after setting aside L28.5bn in provisions. Total growth premium income rose 15 per cent year on year, to L3,661bn. RAS controls nine Italian and 23 foreign insurance subsidiaries.

Nordbanken sees 60% earnings rise

By Sara Webb in Stockholm

NORDBANKEN, Sweden's fifth largest commercial bank, reported a 61.5 per cent increase in operating profits for the first eight months, largely as a result of lower interest rates, and says that it expects operating profits for the whole year to show an increase of up to 60 per cent.

Nordbanken appeared on the Swedish banking scene at the beginning of 1986 when Sundsvallsbanken and Uplandsbanken – the two largest provincial banks in Sweden – merged their operations.

Operating profits for Nordbanken totalled SKr 358.6m ($51.6m) in the first eight months, a 61.5 per cent increase on the combined operating profits (of SKr 222.1m) for Sundsvallsbanken and Uplandsbanken in the corresponding period of 1985.

Nordbanken attributes the increase to lower interest rates. "Our funding costs have been lower, but an essential part of our assets were fixed rate", said Mr Peter Finnstroem, the bank's financial director.

Total income from interest, money market and security dealing fetched SKr 819.7m – an increase of 42.3 per cent on the two provincial banks' income in the comparable period.

Expenses increased by 22.2 per cent to SKr 394.4m, which the bank says were mainly due to the extra cost of setting up a new operation, with new offices and extra marketing requirements.

In August, it acquired 100 per cent of the shares of Arbuthnot Latham Bank in order to increase its merchant banking business.

CDC decides to sell Falconbridge stake

BY BERNARD SIMON IN TORONTO

CANADA Development Corporation, the diversified Toronto-based energy office equipment and pharmaceuticals group, is to sell its 18 per cent interest in Falconbridge just nine months after acquiring its shareholding in the nickel producer.

CDC, which recently announced plans to sell assets as a means of reducing its C$800m (US$576m) debt, has agreed to sell its 10.5m Falconbridge common shares to a group of five Canadian securities underwriters, including Dominion Securities, Wood Gundy and McLeod Young Weir.

The shares will be offered to the public in the form of units, each consisting of one Falconbridge share and half a deferred payment right (DPR) at C$20.25 per unit.

The holder of each DPR will be entitled to acquire one Falconbridge common share for C$19.75 before the end of 1987.

If all DPRs are exercised, CDC's net proceeds will total C$205m. The company said yesterday that it had decided to sell the Falconbridge shares because they were liquid, represented a minority holding and provided no cash dividend. CDC will retain C$271m of Falconbridge convertible debentures.

CDC acquired its holding in the mining company as part payment for the sale to Falconbridge last January of Kidd Creek Mines, a leading Ontario zinc, copper and gold producer.

Low metal prices and the cost of financing the Kidd Creek purchase have pushed Falconbridge into a net loss (before extraordinary items) of C$27.2m in the first six months of this year, from a C$27.3m profit in the first half of 1985.

Falconbridge's share price on the Toronto Stock exchange has dropped from C$22.75 at the time of CDC's initial involvement last January to C$19.50 this week.

Glassmaker sees turnround

BY TIM DICKSON IN BRUSSELS

GLACERIES de Saint-Roch, the Belgian glassmaker, expects to be back in profit this year after chalking up losses of more than BFr 530m ($12.5bn) in 1984 and almost BFr 110m in 1985.

The company said that its results at the end of August were "broadly positive" and on the basis of available information it was "reasonable to estimate that this trend will continue until the end of the year."

Turnover for the first eight months of 1986 was 6.1 per cent higher than the equivalent period last year at just under BFr 7bn, with the best improvement coming from the insulation division.

Sales of float glass were not up to 1985 levels but products aimed at the motor and building industries showed a "perceptible" increase and margins had widened, thanks to reduced production costs.

The healthy activity of the car industry in West Germany, by contrast with the somewhat depressed building sector, should contribute to a good result from the German branch.

Taubman to sell option for Pulitzer

TAUBMAN MEDIA, a company controlled by Mr Alfred Taubman, the US property developer, has agreed to sell an option to buy 20.6 per cent of the Pulitzer Publishing group, signalling the end of his attempts to take control of the family-controlled publishing empire.

Mr Taubman is selling the option to the Quesada family, a dissident group of shareholders, for more than $16m. Mr Taubman, whose business interests include Sotheby's, the international auctioneers, paid $10m in January for the three-year option to buy the stake for $100m.

His departure may clear the way for a settlement of a long-running battle between the Quesadas and other descendants of the late Mr Joseph Pulitzer, founder of the closely held group. The Quesadas had been trying to force a sale of the company but met stiff resistance from other family members.

Taubman Media said that the objective of its investment – "to own the entire company or a significant interest on an amicable basis – was frustrated by the desire on the part of other family members to keep control of the company."

Bank of America writes off Brazil loan

BY IVO DAWNAY IN RIO DE JANEIRO

BANK OF AMERICA has agreed to write off a US$13m loan to Centralsul, the troubled Brazilian farm commodities co-operative, in an out-of-court settlement.

The new management of Centralsul had sued Bank of America for US$150m in the Houston, Texas, courts after Brazil's central bank claimed that the loan had not complied with registration formalities requiring its approval.

In a statement following the settlement, Bank of America has emphasised that the Brazilian company "expressly agrees and acknowledges" that none of the actions the bank had taken violated either US or Brazil's banking regulations. It also pointed out that the loss had already been written off in its accounts.

The Centralsul court action was launched after new management, brought in to reorganise the heavily indebted company, discovered that the co-operative had held an account with Bank of America's Houston branch for two years without registering it with the Brazilian central bank.

Normally Brazilian companies are not allowed to hold accounts outside the country without specific approval from the authorities and all profits earned abroad must be remitted through the central bank.

In 1984, during debt rescheduling negotiations, Bank of America requested the central bank to register the loan. This was later agreed after some debate. However, since the decision, an inquiry launched by the Brazilian authorities ruled that registration of the loan was illegal because it had not been requested within the required 30-day period.

Commenting on the case, Mr Fernao Bracher, Brazil's central bank president, has said that inquiries into as many as 82 other cases of registration irregularities were continuing.

The financial problems of Centralsul have been known in Brazil for some years and many national and foreign banks have already written off substantial loans to the company. Payments to creditors are expected to cover only 20 per cent of the loans outstanding.

Reports in the respected Rio de Janeiro newspaper, the Jornal do Brasil, have criticised Centralsul's holding of an unregistered account in the US and its eventual registration by the central bank.

Foreign bankers in Brazil, however, believe that the case is unlikely to have any major ramifications for the always delicate relations between the Brazilian authorities and their creditors.

Bank chosen for rural loans role

BY WILLIAM HALL IN NEW YORK

MANUFACTURERS Hanover Trust Company, the big New York money centre bank, has been hired by the US Department of Agriculture to help it sell $1bn of rural loans as part of Washington's plans to reduce its huge budget deficit

The Department of Agriculture's decision to pick Manufacturers Hanover Trust Company as the financial adviser to the Farmers Home Administration (FmHA) is a coup for the New York bank. It is understood that 37 institutions, including most of the major US banks and investment banks, had been lobbying for the job of advising the US Government on the disposal of *one of its most attractive loan portfolios.*

The announcement from the Department of Agriculture is the first of several such loan sales by US government agencies which are under pressure to reduce their loan commitments. It also fits in with the Reagan Administration's policy of "privatising" parts of traditional US Government business.

Mr Vance L. Clark, FmHA administrator, said that Manufacturers Hanover will assist the agency in planning and carrying out the sale of about $1bn in loans from the Rural Development Insurance Fund, a revolving fund used to finance loans to rural communities for such projects as water and sewerage systems. The 1986 fiscal year budget resolution, passed in April, requires FmHA to sell enough loans from the development fund to provide $555m towards deficit reduction.

Mr Clark stressed that the sale would not affect projects financed by the loans. "This is simply a sale of loans to third party investors in the private credit market – a long-standing accepted practice," said Mr Clark. He added that the plan was to complete the sale called for in the 1986 budget resolution by the end of 1986 or the first part of 1987. Bankers have been particularly attracted by the low delinquency rate and high quality of the loan portfolio.

The rural development insurance fund contains about $8bn in loans, representing about 24,000 separate loans to 12,000 borrowers. The portfolio includes general obligation bonds, revenue bonds, special assessment bonds and various types of mortgage security.

Manufacturers Hanover Trust said that it will advise the FmHA in selecting loans for sale, developing strategies to structure them into marketable units, and selecting and working with an underwriter.

Dealer sentenced

THE ex-chief dealer at the Soviet Union's failed Wozchod Handelsbank AG in Zurich was sentenced yesterday to three years' probation by a local court, reports AP-DJ from Zurich.

Werner Peterhans, a Swiss who last week pleaded guilty to charges including falsification of bank records, could face an 18-month prison term if his behaviour during the probationary period is not acceptable, the court ruled.

Peterhans, 38, undertook a feverish but futile effort to recover massive foreign-exchange and gold-trading losses over a two-year period beginning in 1983. The investigating magistrate found that Peterhans had tried to cover up losses in the bank's books with "every possible trick."

Wozchod had been an important outlet for Soviet gold sales

Beghin Say profits rise in first half

By George Graham in Paris

BEGHIN SAY, the French sugar group now controlled by the Italian food conglomerate Ferruzzi, yesterday reported first half profits of FFr 224m ($33m) before tax, more than five times last year's interim profits.

The group said it was on course for achieving net profits this year more than three times as high as the FFr 53.3m earned in 1985, despite the uncertainty surrounding the next sugar crop. Financial charges dropped to FFr 267m from FFr 394m a year ago, and pre-tax operating profits reached FFr 300m, the group said.

Ferruzzi now owns 49.5 per cent of Beghin Say, but controls a majority of the company's votes.

● Bongrain, the French dairy products group, yesterday reported net profits in the first six months of 1986 up nearly 20 per cent at FFr 73.1m. The company said sales had risen after last year's decline and the product mix had also improved. Results for the year as a whole still depend on maintaining the level of sales in the fourth quarter.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Retail investors stay on the sidelines

BY ALEXANDER NICOLL

THE PRIMARY Eurobond market saw a second day of moderately active new issues in the dollar sector yesterday, even though the investment climate remained jittery.

Most retail investors are firmly abstaining from bond purchases until the weekend meetings of the Group of Five which accompany the annual International Monetary Fund meetings.

Belgium surprised the market by coming for the second day running, this time with a $200m eight-year floating-rate deal. Led by Salomon Brothers International, the issue, like Renfe's 12-year deal the previous day, is at six months London interbank bid rates with no margin. It was priced slightly more aggressively, however, at 100.2.

Dealers viewed the terms as tight, but Salomon Brothers said it was being quoted at discounts to issue price less than the total fees.

ENI International Bank, a subsidiary of Ente Nazionale Idrocarburi, with the parent's guarantee, also tapped the floating-rate market with a $200m issue for five years. Interest was set at three months Libid, with a price of 100.1. Chase Manhattan led the deal, and quoted it at discounts equal to the 10 basis point total fees.

European Investment Bank made a $150m issue led by Nomura International which seemed to meet a reasonable response although tough market conditions made virtually every new issue difficult. The deal is for seven years, callable after five, with a coupon of 7¾ per cent and a price of 101⅛.

Fuji Bank and Trust Co., the New York arm of Fuji Bank, made a $100m issue with a five-year maturity. Terms give a yield of 66 basis points over US Treasuries, net of fees. The issue, with the parent's guarantee and led by Fuji International Finance, was priced at 101½ with a 7⅝ per cent coupon. The lead manager was putting in bids at discounts equal to the total fees.

Elf Aquitaine, the energy group of which the French Government is to sell a slice of its majority share stake, met a strong response with a $200m seven-year issue with warrants to buy equity attached. Coupon was set at 3 per cent, and Banque Paribas Capital Markets priced it at par. The warrants are exercisable for four years at FFr315 per share.

Danish Export Finance brought a specialty $100m deal with redemption amount linked to the price of the 7¼ per cent US Treasury bond due 2016. The three-year issue has a coupon of 7 per cent and price of 100⅞, and the formula is such that investors could not be redeemed below par.

In Switzerland, Walt Disney made a SFr107m 10-year issue led by *Credit Suisse*. It was priced at 99½ with a 4¾ per cent

INTERNATIONAL BONDS

coupon, seen as fairly aggressive but acceptable for what is viewed as a god name. It was bid at ½ below isue price in the unofficial market, well within the fees.

The Carter Holt Harvey issue, with a maximum amount of SFr250m, had its terms fixed with a 5⅛ per cent coupon and 20.12 per cent conversion premium, both at the higher end of indications. A SFr100m private placement for Ishihara Sangyo Kaisha had its terms fixed as indicated.

Swiss bond prices were slightly higher in small volume. European Investment Bank's SFr150m issue ended its first day's trading at 98¼ compared with a 99½ issue price. The SFr100m issue for Electric Power Development Corporation of Japan traded at 98½ against an issue price of 99¼.

In West Germany, prices were mixed to slightly higher amid a continued lack of direction. The DM 60m issue for Ryobi had its terms fixed as indicated. An Ecu-40m issue for a vehicle of ICN Pharmaceuticals at 10.1571, and Fisons $50m convertible was set with a 12 per cent conversion premium and coupon as indicated at 5¾ per cent.

Eurobond systems to clear new Fiat shares

By Alexander Nicoll

FIAT SHARES being placed internationally in a $2bn offering this week are to be settled through Euroclear and Cedel, the two Eurobond clearing systems, Deutsche Bank Capital Markets said yesterday.

It made this clear after uncertainties had arisen in the market about the settlement methods, particularly in light of the fact that the shares are priced in dollars, and that Italy's share settlements system is notoriously slow.

Mr Michael Altenburg, a managing director of Deutsche Bank Capital Markets, which is leading the offering with Italy's Mediobanca, said the intention was to establish a dollar-denominated trading market in Fiat shares outside Italy.

Investors would thus be discouraged, he said, from selling shares back into the domestic market and thus hurting the share price, as well as the Italian stock market.

Settlements through Euroclear and Cedel do not usually result in physical delivery. However, investors wanting share certificates can obtain them because both systems have links with Monte Titoli, the Italian settlements system.

An underwriting group has now been formed, and allotments are due to be settled on Monday or Tuesday. In addition to the two lead managers, 10 co-lead managers and 22 co-managers, there are 69 secondary underwriters of which 13 are Italian.

Despite Deutsche Bank's efforts, investors could be tempted to sell into the Italian market following a share price fall yesterday on the Milan bourse from L16,450 to L15,700, compared with an $11.28 offering price for the placing which converts into a price of L15,961.

Peter Montagnon looks at a curious development in the Eurocredit market

Hungary has yet to justify its fine terms

ONE OF the more curious developments in the Eurocredit market this year has been the way in which Hungary has been able to achieve successively finer terms on its borrowings at a time when its trade deficit is rising sharply.

This week a new $100m credit surfaced carrying the finest terms ever seen on a publicised deal for Hungary. It is a club deal led by Dai-Ichi Kangyo, Fuji, Mitsubishi and Sumitomo Trust, and the initial margin has been set at just ⅛ per cent over London interbank offered rates for the first four years, rising to ¼ per cent thereafter.

On the face of it these banks seem willing to ignore the poor performance of Hungary's visible trade. Its hard currency deficit nearly tripled to $456m in the first seven-months, pushing the target of a $400m surplus for the year as a whole way out of reach.

Yet the story is not quite as simple as that. Hungary has been able to benefit from the overall shortage of loan opportunities in a dwindling market. European and US banks have adopted a more cautious attitude since the trade picture began to worsen, but there is still clear evidence of willingness by Japanese banks to provide finance.

Although Hungary has developed quite a high profile as an international borrower, it has also been using substantial portions of its new loans to repay and refinance earlier, more expensive credit. Officials at the National Bank say that this year such repayments are likely to total around $450m. Included in this total is the planned early repayment of a $200m credit led by Citibank that carries a margin over US prime and was due to mature in 1987 and 1988.

The result of this process has been two-fold. Not only has it reduced the overall servicing cost, but the average maturity of Hungary's $12bn gross foreign debt has been extended. By the beginning of next year more than two thirds of its loans will mature in the next decade.

Coupled with the fact that Hungary's foreign exchange reserves now stand at between $3.5bn and $4bn, this means that Hungary is well-placed to withstand the short-term problems of its deteriorating foreign trade performance.

Emphasising the country's cautious approach to debt management, Mr Janos Fekete, National Bank deputy president, says: "I will make every precaution to be safe. Safety means term assets."

This is a far cry from the bad days of 1982 and 1983 when the reserves hit a low of $300m as lenders withdrew short-term credits following the collapse of Poland's external finances. Then Hungary had to repay $1.5bn in the space of just three months. It was pushed to the brink of rescheduling, but with help from the Bank for International Settlements and the International Monetary Fund it managed to pay its debts on time. That, says Mr Fekete, is a record that creditors are now prepared to honour.

Nonetheless, net debt is likely to increase by a further $1bn to around $9bn this year, a pace which some bankers feel might be difficult to sustain indefinitely.

Much of Hungary's present trade problems stem from factors outside its control. Low farm prices around the world have depressed its agriculture. The price of energy imports from the Soviet Union have not dropped in line with the fall on world markets but exports of refined oil products to the West are fetching a lower return. So the country has suffered a clear decline in its terms of trade.

This week the National Bank announced a discreet devaluation of between 7 and 9 per cent of the forint against major currencies. The National Bank is unwilling to say quite what effect the devaluation will have but it hopes that the move will be taken as a signal to its creditors that it takes the trade deficit seriously and is willing to move to correct it.

Mr Fekete argues that Hungary's self-sufficiency in food and its secure long-term energy imports from the Soviet Union provide the country with a certain basic security. It must also tackle the difficult question of industrial reform. This, he says, is something which must be done right and cannot be pushed through in a hurry. It also requires finance to pay for the necessary imports of capital goods from abroad.

Hungary can afford to take on such a burden because its trading activity is far greater than the hard currency figures alone suggest, he says. Creditors normally look at its debt service ratio only in terms of its hard currency exports. On this basis it is already high at over 40 per cent. Yet around half of its trade is with other Comecon countries from which certain essential imports such as energy are secure.

This is not an argument that creditors will easily buy. Their worry at the moment is that the poor trade performance also betrays a sense of fatigue in the economic adjustment process. Consumption is too high, while government is slow to move on industrial reform because of the difficult social consequences of winding down traditional industries in order to get new ones off the ground.

Steering the right line between reform and restraint is a difficult challenge for Hungary politically as well as economically. At the moment the fine terms it obtains on its borrowing suggest that the market is prepared to bet on its chances of success. But bankers are fickle people. Without something concrete to show in the not-too-distant future there is always a risk that lenders might start to drift away.

HUNGARY'S HARD CURRENCY
Foreign debt

	Gross debt $bn
1980	9.1
1982	8.7
1983	7.7
1984	8.8
1985	11.8

Source: Hungarian National Bank

STAKE IN NEW BANK FOR IFC

International Finance Corporation, a World Bank affiliate specialising in private-sector projects, plans to take a stake in a bank in Hungary, its first operation in that country.

Subject to final agreement with other shareholders, it will have a 15 per cent stake in United Credit Bank which is due to be established next year with a share capital of $20m. Unicbank of Hungary will hold a 55 per cent stake and the other two foreign partners are provisionally expected to be Deutsche Bank and Austria's Genossenschaftliche Zentralbank.

The establishment of the new bank is part of the sweeping reform of its banking system recently announced by Hungary. United Credit will offer a broad range of services to Hungarian co-operative enterprises with special emphasis on joint-venture operations.

Electrolux in novel funding

By Peter Montagnon, Euromarkets Correspondent

ELECTROLUX, the Swedish white goods manufacturer, has announced a novel funding programme in the Euromarkets which will allow it to raise up to $300m in medium-term fixed rate finance.

The progamme draws on the medium-term note concept, involving the continuous issue of medium-term fixed rate notes through specially appointed dealers. This has been flourishing in the US for about two years and is gradually beginning to establish itself in the Euromarkets.

Under its programme, Electrolux will be able to offer up to $100m in medium-term notes through Enskilda Securities and Merrill Lynch. The notes will carry minimum denominations of $500,000. They may be for any maturity, but will generally carry a one- to five-year life.

It will also offer up to $200m in so-called multi-tranche tap notes through the same dealers. Each initial tranche of such notes must be for a minimum of $50m, though once a tranche is issued additional notes for the same maturity can be issued in amounts of at least $1m.

Euromarket bankers believe that a medium-term note market should be a natural development out of the thriving Eurocommercial paper market, which offers investors short-term paper in amounts and at rates which exactly suit their cash flow.

However, despite the success of the medium-term note market in the US, the concept has been relatively slow to take off in Europe because of worries that the paper would be difficult to trade in the secondary market and therefore illiquid.

With the multi-tranche concept adopted for the larger portion of its programme, Electrolux has sought to address this problem. The large initial tranche should ensure that a big block of paper is available to the market on standardised terms.

To help build up a viable secondary market Electrolux is also introducing fixed dates on which coupons may be paid and tranches will mature. These are to be January 15, April 15, July 15 and October 15 in each year.

C$22m public offer by Getty Resources

By Our Euromarkets Correspondent

GETTY RESOURCES, the Canadian group formed last year to take over Texaco's interests in mineral resources, is to raise approximately C$22m through a public offering of shares and warrants.

Half the offering will be placed internationally under the lead of Warburg Securities with the remainder being sold on the domestic market under the lead of Wood Gundy and First Marathon.

On sale are 4m units comprising one common share and two warrants which together will allow the purchase of a further share.

Indicated price of the units is C$5.50 and the warrant exercise price is expected to be C$5.50 to C$6.

Final terms will be set on October 2.

US banks use more Nifs to shift lending

BY WILLIAM HALL IN NEW YORK

LEADING US banks are shifting an increasing amount of international business off their balance sheets by arranging note issuance facilities (NIFS) for customers and relying less on traditional medium-term credit facilities.

Details on US banks' off-balance sheet lending are sketchy but in the latest quarterly review of the Federal Reserve Bank of New York attempts to quantify the shift and finds that the top nine US banks have raised the ratio of their loan commitments to adjusted claims—another namefor off-balance sheet lending—from 35 per cent to 43 per cent, between the end of 1982 and the end of 1985.

In terms of US banks' lending to the group of ten industrialised countries and Switzerland the ratio of loan commitments to adjusted claims has jumped from 33 to 47 per cent over the same period. However, the trend is not uniform. The New York Fed notes that in Asia the balance is shifting toward on-balance sheet financing by US banks. It says that since Japanese banks are well represented as underwriters of Nifs in Asia, US banks may be losing market share.

The Fed says that US banks do not report international commitments to leand *per se*, but these can be approximated using data from the ocuntry exposure leanding survey (Cels). Loan commitments are taken to be all contigent (off-balance sheet) claims adjusted for guarantees, less letters of credit.

An increase in the ratio of loan commitments to adjusted assets (on-balance sheet banking by US banks. "The change in this ratio over three years suggests that large US banks are moving their international activity off their balance sheets."

The Fed says that Nifs are transforming international lending. Instead of arranging a medium-term credit facility with a syndicate of banks, many borowers now arrange a Nif.

The innovation of the Nif has an "ambiguous effect" on US banks' commitments to lend, says the Fed. On the one hand, borrowers who have switched from medium-term syndicated credits to Nifs may rely on US banks only for the commitment to lend while depending on other sources—including non-banks—for actual funding.

On the other hand, borrowers who previously relied exclusively, or mainly, on large US banks for lines of dollar credit may be broadening the nationality and increasing the number of their committed banks and so lowering the cost by arranging Nifs.

Source: Are large US banks moving international activity off their balance sheets? Federal Reserve Bank of New York Quarterly Review, Summer 1986.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on September 25

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

Malaysian investment group loss doubles

By Wong Sulong in Kuala Lumpur

MULTI-PURPOSE Holdings, the diversified Malaysian Chinese investment group, has reported a group after-tax loss of 13.5m ringgit ($5.2m) for the six months to June, compared with a loss of 7.2m ringgit previously. Group turnover fell by 9 per cent to 283m ringgit.

MPH said the results "reflect the prevailing difficult economic and trading environment." It added: "Efforts to rationalise and keep operations trim and efficient are continuing."

No significant improvement in operating results were expected in the second half.

As part of its rationalisation, the group recently retired half of its 16 directors, with Datuk Lee San Choon, a former Malaysian minister, consolidating his control as executive chairman.

Except for its publicly listed property associate, Bandar Raya Developments, all the MPH's listed subsidiaries and associates — Dunlop Estates, Magnum, Mulpha Trading and Malaysian Plantations — reported poorer results.

The sharpest profit decline was registered by Dunlop Estates because of depressed palm oil prices. The company's net profit after tax fell to 1.7m ringgit from 9.8m ringgit.

MPH's biggest shareholder (41 per cent) is Kooperative Serbaguna Malaysia (KSM), which is one of the 24 deposit-taking companies suspended by the Malaysian authorities last month.

Profits plunge at Komatsu

By Yoko Shibata in Tokyo

KOMATSU, the world's second largest maker of integrated construction machinery, reported consolidated net profits of Y9.5bn ($61.5m) in the half year to June, down 32.6 per cent from the comparable 1985 period. The drop was attributed to the adverse effects of the sharply appreciated value of the yen.

Sales rose by 3.3 per cent to Y411.6bn. Sales of construction equipment increased by 7.7 per cent to Y187.2bn, despite an extremely difficult business environment caused by the reduced competitiveness by the higher yen value. Metal forming machinery and industrial machinery sales jumped by 56.4 per cent to Y34.3bn.

Komatsu's overseas turnover rose 11.1 per cent to account for 51 per cent of the total. Domestic sales declined by 3.7 per cent.

Consolidated business performance reflected 35 consolidated companies and 25 companies under equity method.

The parent company's pre-tax profits plunged by 43.4 per cent to Y14.25bn with net profits of Y7.3bn, down 43.8 per cent, on turnover of Y311.16bn, up 5.8 per cent.

Komatsu plans to cope with the difficult situation through mark-up of export prices, total cost reduction, smooth commencement of manufacturing operations in the US and UK and expansion of new businesses.

However, the company sees reduced profitability because of the strong yen. Full-year net profits are projected at Y14bn down 36.1 per cent, on turnover of Y14bn, up 0.5 per cent.

Axel Johnson talks may herald shake-up in European steel

AXEL JOHNSON, the Swedish conglomerate, held talks yesterday with West German and Finnish steelmaking rivals, and brokers said it could be selling its Avesta subsidiary, the world's largest stainless steel manufacturer.

Such a deal would be a major shake-up in the West European steel industry, **Reuter reports from Stockholm.**

Stockbrokers said Axel Johnson, Sweden's biggest privately held company, was negotiating with Finnish steelmaker Outukumpu and West Germany's Thyssen.

Mr Bernt Magnusson, head of the industrial arm of the Axel Johnson group, held talks with Outukumpu president Mr Pertti Voutilainen in Helsinki and Johnson officials said he then flew to Copenhagen for a meeting with Thyssen executives.

The groups declined to comment on the meetings.

"Avesta is our largest competitor. So we are actively following what is happening," an Outukumpu spokesman said. She declined to discuss the nature of the meeting.

Stockbrokers said it would be logical for the Johnson group, a conglomerate which now seeks to narrow the scope of its operations, to sell off Avesta.

With its 6,000 employees, an oversize production apparatus and insufficient return on capital, Avesta represents a heavy drain on the group's finances, they said.

Thyssen and Outukumpu would have sufficient funds to acquire the Swedish company, according to the analysts.

"This concentration seems only logical in a declining industry, and it would mean considerable gains in economies of scale both as regards production and marketing," Mrs Mary Foster of ARK Securities in London said.

A broker with Ohman Fondkommission in Stockholm said, however, he did not expect Avesta to be sold off so early.

The Johnson group promised in 1984, as part of a state-aided restructuring of Sweden's special steel industry, that Avesta would remain part of the family empire for a long time.

Under Swedish law, any foreign takeover of Avesta would be subject to government approval.

Rise at Pioneer Concrete

BY OUR FINANCIAL STAFF

PIONEER CONCRETE, the Australian building materials group, has reported a rise in net earnings for the year to June 30 to A$122.4m (US$77m) from A$105m. Sales during the period rose to A$2.98bn from A$2.74bn. Profits per share rose to 28.5 cents from 26.4 cents.

Pioneer, which is the object of a hostile takeover bid from FAI Insurance, controlled by Mr Larry Adler, has also announced a one-for-five bonus issue on top of an unchanged dividend of 6.25 cents for the final period.

Breaking results down between sectors, Pioneer reported that overseas building subsidiaries traded more profitably than in the previous year, and singled out record profits at its Spanish operations.

Cold Storage 73% ahead

COLD STORAGE HOLDINGS, a Singapore retailer and supermarkets group, increased after-tax profits by 73.3 per cent to S$4.1m (US$1.9m) in the first half of 1986 from the year-earlier period. Turnover rose 28.8 per cent to S$148.3m, **AP-DJ reports from Singapore.**

Cold Storage declared an unchanged interim dividend of five cents.

THE PROPERTY MARKET BY WILLIAM COCHRANE

UK TAXATION

Pitfalls in the developer's path

DEVELOPMENT land tax may have been abolished and the spectre of value added tax on development consigned, in this country, to the political sidelines. But tax is still an essential component in the generation and operation of the property market, says accountant Robert Maas this week, rather than the residual it appears to be in other industries.

Mr Maas, a senior tax partner at Casson Beckman, the West End-based firm of chartered accountants who have a significant base in the property and entertainment industries, has written a new book* which sets out to be a comprehensive guide to the taxation provisions relating to land transactions, and draws on the author's experience of the property industry over the last 20 years.

Introducing the book in London this week, he said: "In most industries, tax is something that does not need to be thought much about until after the business has generated profits, as the profit derives from a large number of small transactions, so that tax does not have a significant impact on an individual transaction."

With property, however, tax can be a major consideration in looking at the structure which each individual transaction takes, and even in assessing its financial viability. "It cannot be left until after the profit is earned," the author maintains.

The book is aimed at two distinct classes of people—professional advisers, and developers and other people in the property industry—and can be taken on different levels. One offers a technical consideration of the legislation; on the other Mr Maas offers: "an intelligible summary of the tax treatment of property transactions without being weighed down by a mass of detailed technical tax problems."

Distinction

In the latter category, he emphasises the distinction between investment and dealing, and their respective liability to capital gains or income and corporation taxes. "This is absolutely fundamental to property tax," he says.

"Because it is possible to make a very large profit on a single transaction, the Inland Revenue are likely to try very hard to contend that such profit is income rather than a capital gain—which is generally taxed less heavily—if there is any doubt as to the status of a transaction."

Doubt? There seems to be room for bags of it. Mr Maas describes the above distinction between investment and dealing as "a concept that depends not on statutory rules but on vague principles derived from case law . . ."

He also counsels care in the funding department. "As most property acquisitions are financed partly by borrowings it is vital to ensure that the interest is allowable," he says. "Very many types of borrowing, particularly from overseas lenders, will not attract tax relief on the interest—or other consideration for the borrowing."

Overseas loophole specialists are warned further that many people imagine that tax on UK property transactions can be easily avoided by using an overseas vehicle to carry out the transaction. They could be right. They could also get into trouble.

"Very many people who form overseas companies to seek to avoid UK tax will succeed only by hiding the existence of the company from the Revenue—and this will frequently constitute fraud," Mr Maas comments.

The institutional investor, he reminds us, will generally prefer to own the land during the development phase of a new property. To negotiate effectively with the institution, the developer needs to know that this could lead to a number of conclusions on the tax front, depending on:

- whether it sells its land to the institution and carries out the development as project manager, at a fee based on the rental generated on completion;
- whether it takes back a lease prior to the development;
- or an agreement for the lease to be granted on its completion.

All of these, he says, are different from the position which would have existed if the institution had simply taken a charge on the property at the initial stage.

These lessons, unfortunately, are not definitive. "My first book," Mr Maas remembered this week, "was on development gains tax. The government promptly abolished the tax—so promptly that I believe I have the dubious distinction that my book was the only one to have hit the bookstalls before the government announced that they were scrapping the tax."

This tax was introduced by the Conservatives in 1973; Labour replaced it with development land tax in 1976.

"My next attempt was on DLT," he said. "That took a little longer, but was eventually scrapped." DLT went last year.

Jackpot

"This time," he said, "I thought I'd try for the jackpot and wrote a book about property tax in all its aspects in the hope that the government might then abolish the lot. I have to admit that I am not wildly optimistic about being able to achieve this objective."

* Tolley's Property Taxes by Robert W. Mass FCA, price £15.95 published by Tolley Publishing Company, Tolley House, 17 Scarbrook Road, Croydon Surrey CR0 1SQ. Tel: 01-686 9141.

Second thoughts at Fluor

A YEAR ago, Fluor Great Britain, UK subsidiary of the US-based engineering and consctruction group, said it would be relocating from Euston Square to London's Docklands.

Three weeks ago, it announced a move to Broadway, Victoria. A week later National Leasing, part of the International City Holdings group, said it would be developing and funding the 250,000 sq ft Docklands development for Fluor at South Quay, West India Docks on the Isle of Dogs with a completion date of mid-1988.

Fluor, which works for the oil, gas, chemicals, biotechnology and pharmaceutical industries, is now expected to take half the building initially. It was originally going to take it all.

The story seems to be that, as last year offshoots of US companies in the infotech field got nervous in the face of massive semiconductor overproduction in Silicon Valley, now it is the turn of oil and oil service based companies to worry about the lower oil price.

Fluor has an option on further space in the Docklands building and tenants are being sought for the remainder. Joint letting agents are expected to be Debenham Tewson & Chinnocks and White Druce and Brown.

Beacontree backs hi-tech prospect

BEACONTREE ESTATES, the fast-growing development company jointly owned by Clarke, Nickolls and Coombs, and J. M. Jones has begun work on a £40m hi-tech hotel and leisure project in Reading.

The hi-tech element will comprise a total of 211,000 sq ft on two separate sites. The first is at the corner of Manor Farm Road and the Basingstoke Road, where Higgs and Hill is partnering Beacontree in the construction of 115,000 sq ft in three buildings on a five acre site.

Beacontree discounts nervousness about the US semiconductor market; it also says that it is building to an exceptionally high specification.

- More backing for hi-tech comes from the Cadbury Schweppes Pension Fund which is to finance a 44,000 sq ft hi-tech development on 5.2 acres adjacent to Winnersh Triangle, Reading, just off the A329M.

Developer Lesser Land, which acquired the site from Schroders, has switched from a more traditional industrial scheme and obtained a planning consent from Wokingham District Council for a new two-storey development, in a heavily landscaped setting, to rent in excess of £10 per sq ft via agents Strutt & Parker and Dunster & Morton.

- A little bomb, buried in Healey & Baker's September investment report: "Out of town shopping should be the exception rather than the norm and we believe it is only justified where there is a proven surplus spending power and the inability to adapt a town centre's infrastructure to cope with trading and environmental demand." Over to you, Mr Ridley.
- Nothing loth, Shearwater has put in a planning application for a 635,000 sq ft regional shopping and leisure centre on the site of Digby Hospital, some 2½ miles east of Exeter. This follows its recent appointment the South West Regional Health Authority, is a joint venture with the SWRHA and boasts Montagu Evans as planning consultants.
- Meanwhile town centre retailing is represented by Friends' Provident Life Office which this week said that agreement had been reached with Estates and General to form a partnership to develop, together with the City of Norwich, the Castle Mall shopping scheme in the heart of the city. Friends' Provident have agreed a maximum finance facility of some £60m towards the scheme.

Market town shop rents

HILLIER PARKER has launched its market town rent index, the first of a new series of specialised rent indices, which compares the rental performance of market town shops against shop rents generally.

The new index shows that market town shop rents have outperformed the Investors Chronicle Hillier Parker Shop Rent Index over the past four years, confirming institutional views regarding the high performance of market town shop investments.

The ICHP Shop Rent Index rose by 40 per cent compared with a 58 per cent increase in the market town index. The rate of growth in market town rents has accelerated over the past year, rising from a 12.3 per cent increase in 1985 to 16 per cent in 1986—13 per cent ahead of inflation.

This, at least partly, answers the comment that market town shop property investments have been rising faster because they were cheaper to begin with.

It has also been argued that market towns can attract higher-class shopping because of quality of environment, and relative lack of competition from the out-of-town superstore.

At any rate, Hillier Parker head of research Russell Schiller says that institutions are showing a great deal of interest in market town shops and are competing hard for investment opportunities.

Utd. Newspapers improves to £22m

BY RAYMOND SNODDY

United Newspapers yesterday announced a £3.2m rise in profit to £22.47m pre-tax for the six months to June on a turnover which rose from £116m to £316m.

The results largely reflected the problems of absorbing Fleet Holdings and the costs of modernising its national newspaper titles, the *Daily* and Sunday Express and The Star. Earnings per share fell from 16.3p to 10p.

Mr Graham Wilson, United's finance director, said yesterday *no director could be happy* about such a fall in earnings per share but the difficulties had been expected.

"It's steady as she goes. It's a good performance given where we have been and what we have done," Mr Wilson said.

By the end of June 2,056 full-time regular employees had left Express Newspapers with a further 71 to go. A further 1,628 *casual shifts, equivalent to 407* full-tme employees, have also been eliminated.

The workforce has been reduced by a total of 34 per cent without loss of production.

United said yesterday the full year results were likely to be better than the half-year performance because the cost savings at Express Newspaper were only now beginning to be realised.

Analysts believe profits for the year are likely to be between £50m-£55m.

United said future objectives included developing its titles in the business *magazine* market and increasing the circulation of its national newspapers, all of which have been declining.

The group said the performance of its other divisions was *strong* with increased advertising in its consumer magazines and advertising periodicals.

Profits from regional newspapers were up on last year "with some small growth in advertising while circulation did not decline to any significant degree."

The interim dividend is being maintained at 6p per ordinary share.

● Mr Andrew Cameron, managing director of Express Newspapers, said all the teething problems were now well behind the group and all titles should show a substantial recovery in September.

See Lex

All-round growth lifts MAI to £40m

FURTHER STRONG growth through the second six months enabled MAI to lift its profits for the eletenvh year running to a record £40.04m pre-tax in 1985-86, an increase of 46 per cent over 1984-85's £27.45m.

All divisions and all geographical areas in which the group operates contributed to the improvement.

Furthermore, the buoyant trading conditions experienced in the second six months have continued into the current year and all divisions *(money and securities* broking, personal finance services, media and market research) are enjoying active markets and good demand.

Earnings per share for year to June 30 1986 were up only 16 per cent from 41.6p to 48.1p because of the substantial amounts of new shares issued during the year in support of new acquisitions.

Turnover of the group, enlarged via the acquisition of Wagon Finance Corporation in February improved from £171.58m to £222.05m—Wagon's *profits* contribution amounted to £1.3m.

Tax took £14.82m (£9.99m) and *minorities £429,000* (£335,000). There was also a goodwill write-down of £5m this time.

A final dividend of 13.5p makes a net total of 17.5p, a 10 per cent increase over the previous year's 16p.

The directors said yesterday that their longer term aim was to develop each division to the point where its financial contribution was *substantial in the context of* the overall group and where it was market leader in its respective area.

The past year saw the group's financial position strengthen considerably. Net assets increased by £23.2m to £140.8m and strong cash flow boosted cash balances available for investment and development to more than £30m.

● comment

MAI and the stock market have a consistent relationship. For years the market has had severe doubts about the quality of the company's earnings, and now MAI has turned in its eleventh successive year of profits growth. The latest increase—a 46 per cent jump to £40m pre-tax exceeded all predictions—so naturally the share price was nervously marked down 10p to 385p. In fact, the share price had come up from 365p since MAI's holding of a *sweepstake* in the City on the *results gave away* its optimism. MAI naturally acted as broker rather than principal in this rather specialised market. In its year-round money and securities broking businesses MAI also proved its mettle, with a 33 per cent profits rise and trading margins unimpaired at 19 per cent. Given MAI's dependence on dollar denominated earnings this was impressive, *particularly so in the case of* its recently acquired US interdealer broker, which chipped in about £9m. This has helped ensure that there has been no dilution: earnings per share are up by 16 per cent at 48.1p. If MAI makes around £47m this year then the shares are on a multiple of about 7.5. A prospective yield of about 7 per cent is another way of *describing the shares as undervalued.*

RMC well ahead and sees £90m for year

HAVING OUTSTRIPPED the City's expectation with its first half figures, the RMC Group is looking for a pre-tax profit of at least £90m for 1986.

At one time yesterday the shares touched 640p, but later fell to 632p for a drop of 2p on the day.

Turnover in the half year advanced from £601.8m to £687.4m and the pre-tax profit rose *from* £25.4m to £33.1m — the City was looking for something in the £27m to £31m range.

For the second half the directors said they were expecting *the profit to be not less than* that achieved in the corresponding period of 1985. Nearly £80m was made in the whole of 1985.

The directors reported that construction levels at the start of the year were depressed by the bad weather in Northern Europe. As the year progressed, however, conditions improved.

In the UK demand for the group's products was similar to that of last year, and further progress was made. Operating profit there rose from £20.9m to £23.7m.

Additional costs incurred in the recovery from the adverse *weather were, however,* less than in 1985 and that was reflected in the improved trading profit.

Builders merchants, waste disposal and aerated concrete *companies* made satisfactory increases in profits, as did the D-I-Y company which was also benefiting from its continuing expansion programme.

Profit from West Germany shot up from £400,000 to £1.7m and reflected the start of the benefits from rationalisation measures *put in* hand last year.

Other countries lifted their contribution from £9.9m to £11.8m, with main operations showing an upward trend particularly in Austria, France, Spain and the US.

Interest charges were cut from £5.9m to £4.2m in arriving at the pre-tax profit, while depreciation and depletion of land rose to £27.7m (£24.2m).

After tax £12.8m (£10.6m) and minorities £1.4m (£800,000), the net attributable profit came through at £18.9m (£14m). Earnings are stated at 19.9p (14.7p) per share and the net interim dividend is raised to 5p, compared with 4.6p.

There was an extraordinary credit of £500,000 (debit £1.1m) which comprised profit on disposal of a trade investment less tax and outside interests.

See Lex

Central TV more than doubled

Central *Independent* Television more than doubled pre-tax profits in the first half of 1986 and said the results for the full year were expected to be good.

It also announced that it had reached agreement in principle with the Independent Broadcasting Authority and the Stock Exchange for the enfranchisement of its non-voting shares, a plan it first unvelled last May, and for a move up from the Unlisted Securities Market to the main market.

Central's shares rose sharply on the figures, to close last night at 345p, up 20p on the day.

Turnover rose by 17.8 per cent to £85.8m (£72.8m), helped by a more buoyant advertising market than in the same period of 1985. Pre-tax profits rose to *£5.3m, against £2.6m* at the halfway stage last year.

Central is increasing the interim dividend to 4p (2.5p), which it said was intended to reduce the disparity between the interim and final payouts.

Mr David Justham, the chairman, said: "The incidence of advertising revenue and costs is not uniform throughout the year, nor is the pattern experienced in 1985 likely to be *repeated this year. However,* the results for the full year are expected to be good."

The first half accounts also showed taxation of £2m (£1.1m) and earnings per share of 13p (5.7p).

Mr Robert Phillis, the managing director, said advertising revenue was up 19 per cent in the first six months, compared to the same period of last year, despite a fall in Central's market *share from 14.2 per* cent in the first half of 1985 to 13.7 per cent. However, it was now moving back towards 14 per cent again.

Tootal tops £10m at midway and unveils growth strategy

BY RICHARD TOMKINS

Tootal, the threads and textiles group, yesterday announced a modest advance in pre-tax profits from £9.69m to £10.12m for the six months to July and unveiled its strategy for growth under the new management.

The new strategy comes at the end of an evaluation of Tootal's interests around the world following the appointment of ex-Bowater executive Mr Geoffrey Maddrell as managing director in February.

Its main theme is switching away from Tootal's role as a production-led company to one *concentrating* on distribution and service. "Tootal was a manufacturing company. We aim to become a marketing company," Mr Maddrell said.

The group will use its international network to make sure that its marketing organisation sources its materials in the most efficient way possible. The group also aims to concentrate on becoming the market leader in each of its products.

The management structure is being rejigged to support this strategy. A new management board is being appointed comprising the main board's exectice directors, the chief executives of the major business units, and key central staff. A central executive of the main board will also be formed to be responsible for the development of the group as a whole.

Two new board appointments have been made. Mr John Craven, a former vice-chairman of the merchant bank S. G. Wa-burgh and already a director of Tootal, is to be deputy chairman. Mr Anthony Habgood of the Moston Consulting Group, who has for several months been involved in drawing up Tootal's new strategy, is to become an executive director.

In the period under review, *sales were down to £189,52m* (£191.42m). The 26 per cent tax charge left earnings ahead at 3.5p (3.22p). The dividend is increased to 1.6p (1.5p).

Clothing profits were up in spite of the poor spring, and homewares gained from the recent acquisition of Clover Leaf, but the other divisions were down.

Non-wovens was held back by a high level of revenue in*vestment in marketing* specialised products. In threads, the Far Eastern operations were well ahead and the joint venture in China is expected to go into production this quarter. Steps are being taken to reposition the companies in the more mature markets, notably the US, and the cost of introducing a new computerised dye house in English Sewing hit profits.

● comment

Tootal's *new strategy* may have been welcome, but it was also long-awaited, and the shares *shrugged it off with a 2p fall* to 93½p. The feeling in the City was that it was a good start but unlikely to set the world alight just yet: after all, the company has been perceived as being fairly well suck in a rut, and it is not going to climb out overnight. The other difficulty facing Tootal is that after four or five years under the surgeon's knife, the scope for finding further rationalisation benefits *must by now be utterly* exhausted, so if the company is on an upswing from contraction to expansion, there is bound to be something of a hiatus. Expansion, after all, means investment, not least in people who may take time to pay their way, so it could be a while before the effects show at the pre-tax level. For the current year, a lacklustre £29m is in sight for an equally lacklustre *p/e* of 9½, yet the income funds might yet be licking their lips at the sight of a prospective yield of about 6¼ per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Emess Lighting, Liberty, Petrocon, Rea Brothers, Sunlight Services, Wankie Colliery.

Finals: CVD, S. Casket, Courtney Pope, Elders IXL, Equity and Law International, NESCO Investments, Pennine Resources.

FUTURE DATES

Interims:	
Aada Property	Sept 29
Arbuthnot Japan Growth Fd	Sept 30
Brown and Jackson	Oct 2
Cable and Wireless	Nov 21
Municipal Properties	Oct 15
North British Canadian Inv	*Oct 6*
Pavion International	Oct 30
Finals:	
Aitken Hume International	Oct 15
Lewtex	Oct 3
Pressac	Oct 23

Kalamazoo £0.3m in red

A second-half profit of £494,000 at Kalamazoo, business systems and services group, failed to offset the first half loss and left the company £276,000 in the red for the year to July 31 1986. This compared with a *£1.66m pre-tax profit* previously.

The result was struck before the KWA bonus of £239,000 (£485,000), but was after charging exceptional costs of £715,000 (£330,000) for early retirement and redundancy charges.

After a tax credit of £35,000 (£620,000 charge) loss per 10p share was 1p (2.2p earnings). There is a single final dividend of 1p against a 2p total in 1984-85.

At the interim stage, the company had forecast a full year profit. The outturn, however, was affected by sharply increased severance costs, the accelerated depreciation of certain software investments, and lower than expected sales in the last quarter.

Turnover for the year was little changed at £43.91m, *against £44.21m.*

Whatman Reeve tops £3m

Despite a static turnover of £16.95m Whatman Reeve Angel, maker and marketer of laboratory supplies, saw its pre-tax profits improve by 16 per cent to £3.1m in the first six months of 1986.

For the full year the directors expect the results to again show satisfactory growth and they remain confident about the longer-term outlook due to the considerable work in recent years on marketing and new product development.

Earnings for the half year amounted to 8.33p (6.51p), after tax of £1.29m (£1.26m), and the interim dividend is *being lifted to 1p* (0.82p).

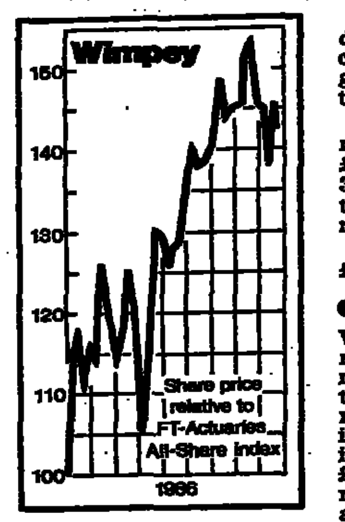
Sales growth in North America continued to be affected adversely by the sluggish economy of the US.

Revitalised Wimpey at £13m and potential for growth seen

REFLECTING another step in its revitalisation programme instituted over two years ago, the George Wimpey group of construction engineers has lifted its pre-tax profit from an adjusted £9.2m to £13.2m for the first half of 1986.

Announcing the figures yesterday, Mr Cliff Chetwood, chairman, said the group was now in a position to look at areas of future development, and attention was being focused initially on the existing core businesses.

"Taken as a whole the group has performed very well. Contracting in the UK and overseas remains extremely competitive *but we are obtaining our fair* share of available work," he said.



The group remained firm in its policy of reducing overheads and eliminating losses through*out the business.* It was firmly based with a strong balance sheet and a clear potential for growth, the chairman told shareholders.

Sales of Wimpey Homes in the UK were proceeding well and were *10* per cent up on the same time last year. Completions were 4,950, against 4,400 in the first half of 1985, and in line with targets. Operations in North America performed reasonably well and the company remained confident.

Turnover in the half year came to £694m, against £657m, and the operating profit to £24.6m (22.4m). There was an exceptional charge of £1.8m (£3.7m), this time relating to the marina development in Singapore which should be completed early next year, and net interest payable came to £9.6m (£9.5m).

The 1985 figures have been adjusted in accordance with the treatment of exceptional and extraordinary items adopted in the 1985 full accounts. The published operating profit last time was £15.8m and the pre-tax balance £6.3m.

The chairman said offshore and engineering operations suffered from the reduced activities in the North Sea and the Middle East, and overheads were reduced accordingly while maintaining an effective presenee.

Wimpey realised £24m on the *disposal of the builders' merchant* subsidiary, and that will give an extraordinary credit in the full year.

After tax £3.6m (£1.8m) the net profit for the half year was £9.6m *(£7.4m)*, for earnings of 3.41p (2.63p) per share. The interim dividend is lifted to 1p net, from 0.85p.

In 1985 there was also a £12.4m extraordinary credit.

● comment

Wimpey's strong outperformance this year has been as much a matter of bid speculation as confidence that the restructuring of the business is complete. This half's figures include a further provision of £1.8m against the Singapore marina with twice that to come at the year end. But Wimpey has still a certain amount to do to complete the transition from builder of monuments to generator of profit. The next stage is to run off the remaining loss-makers on the contracting side, leaving this operation as a cash-source to balance the housebuilding business; and to complete a rather brutal re-appraisal of the offshore and engineering division in the face of a collapse in oil-related work. The boking of a property *(and currency)* gain in Frankfurt next year should leave the balance-sheet free to support growth by acquisition; but the continuing loss-elimiantion and, interest rates permiting, the growth prospects in UK housebuilding are only now catching up with Wimpey's share rating. On profits for the year of over £60m, and an unchanged *price* of 202p, Wimpey is valued at *more than 13 times earnings.*

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Aberdeen Construct int	2.4	Nov 21	2.3	—	8
Albany Inv ....int	0.55	—	0.5	—	1.75
Asset Trust ....int	†1	Nov 17	0.5	—	0.75¶
Astbury & Madeley int	1.25	Nov 28	1.13*	—	4.5*
Bentalls ....int	*0.44*	*Nov 14*	*0.4*	—	*2.3*
Brown Boveri ......int	1.25	Jan 2	1	—	3
Central TV ....int	††4	Nov 7	2.5	—	12.5
Combined English int	3	Nov 19	2.45	—	6.71
Dowding & Mills	1	Oct 30	0.88*	1.58	1.4*
Ferry Pickering	2.1	Nov 14	1.73*	3.5	2.73*
F & C Pacific ......int	0.6	Oct 1	0.6	—	2.5**
Highcroft Inv Tst	1	—	0.9	—	2.15
W. & R. Jacob ......int	‖†2.3	Oct 17	2	—	6
Jove Investment ...int	2.65	Nov 30	2.5	—	5.35
Kalamazoo	1	—	1.5	1	2
Land Cont Advert int	nil	—	0.75	—	2.25
MAI	†13.5	Nov 25	12	17.5	16
Noble & Lund ...int	†0.35	—	0.35	—	*0.7*
Office Electronic ...int	3	Dec 5	3	—	8.5
Raine Inds	0.61	Dec 2	0.55	0.83	0.75
Ramar Textiles	1.75	Jan 8	1.65	1.75	1.65
RMC ....int	5	Dec 1	4.6	—	14
William Sindall ...int	3	—	3	—	12
Superdrug ....int	2.3	—	2	—	5
Tharsis ....int	*2*	—	*2*	—	10
Time Products ......int	0.75	Jan 7	0.5	—	2
Tootal ....int	1.6	Jan 2	1.5	—	4
United Newspapers int	†6	Oct 31	6	—	16
Whatman Reeve ...int	1	—	0.82	—	2.45
George Wimpey ...int	1	Dec 31	0.85	—	3.75

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For nine months. ‖ Irish currency. ** Including special 1p payment. †† To reduce disparity.

Newarthill down in first half

The six months ended April 30 1986 saw a downturn at Newarthill, the civil engineering and building contracting group operating under the Sir *Robert McAlpine* name.

In the period turnover fell by £12m to £120m while the pre-tax profit was down by £1m to £9.03m.

After tax £3.62m (£3.69m) net earnings were shown at 31.3p (37.4p) per share. There were extraordinary credits of £2.34m, compared with £13.66m.

The directors said extraordinary items for the year were expected to be "somewhat *less*" than last time. Then they were £17m and shareholders received a special payment of 5p therefrom, as well as their dividend of 11p.

L & C loss cuts 30% off share value

By Lionel Barber

London and Continental Advertising Holdings, a former star USM stock, yesterday announced a £1.36m loss before tax for the first six months of this year.

The loss compared to a £1.41m profit before tax in the first half last year. Though foreshadowed at the group's AGM last June, the news sent L&C shares tumbling to 58p, down 25p on the day.

L&C is not paying an interim dividend (0.75p) and there is no profit or loss forecast for the full year. Group turnover for the first half, meanwhile, was almost static at £13.86m.

Just before the AGM, Mr John Golfar, L&C chairman and co-founder, sold 300,000 shares at 141p, realising £423,000. Mr Golfar said the sale of part of his holding was part of a divorce settlement and had been cleared by L&C's financial advisers, Kleinwort Benson and James Capel, and approved by the L&C board.

Mr Golfar said: "It had absolutely nothing to do with the financial state of the company." He still holds just over 1m L&C shares.

On May 19, Mr Golfar said that forward bookings were coming through strongly. "We face the future with confidence," he said in his annual statement to shareholders.

Yesterday, he said that the group had expanded to meet demand in the poster business which had not materialised. "In retrospect, we were precipitate."

L&C has attempted to strengthen its management and financial controls with the appointment of Mr Christopher Perry, a chartered accountant who headed the South African Hunt Leuchers and Hepburn Group.

L&C was one of the first companies to be quoted on the USM in 1980, arriving on a price/earnings ratio of more than 20. Through a policy of ambitious acquisitions culminating in the £18m purchase of London and Provincial Posters in 1984, it increased profits from £200,000 to £3.5m in six years. It gained a full listing in 1984.

Fight for McCorquodale re-opens with final offer

BY DAVID GOODHART

Norton Opax, the ambitious printing and packaging group which on Wednesday had its bid for fellow printing group McCorquodale cleared by the Monopolies and Mergers Commission, yesterday returned to the fray with a new—and final—offer valuing the company at £136m.

The original £110m offer lapsed in April and Norton Opax could now start again from scratch with a 60-day offer. However, Mr Richard Hanwell, Norton chief executive, has decided to save time and money by re-opening the bidding with a final offer (except in the event of third-party intervention) which will run for only 21 days.

Thanks to the slippage in Norton's share price yesterday from 145p to 133p the value of the two-for-one share offer fell from £151m to £136m. But Mr Hanwell said that 266p per McCorquodale share still represented a generous premium on a share price of 165p last February.

The bid looks like becoming another bitter and probably very close battle between an acquisitive, entrepreneurial, but only partly-proved management and a much larger, moderately-performing company promising imminent improvements. Analysts were divided about whether the bid would, or should, succeed but agreed that the Norton cash alternative of 260p might become crucial if the market slips badly over the next three weeks.

Mr John Holloran, the new McCorquodale chief executive, repeated his company's rejection of the offer saying: "Norton is just a highly-geared collection of small businesses over-dependent on the lottery industry."

He said that McCorquodale had become substantially refocussed — at a total cost of £50m throughout the last five years — and now had leadership positions in three main areas in the US and UK: financial printing, book and magazine production and information publishing.

He also refuted the allegation that McCorquodale had borrowed its ideas on devolved and incentivised management from Norton itself. "They forget that things have changed — I have come in and driven the business harder," said Mr Holloran.

Mr Hanwell said that after another three months of looking at McCorquodale and talking to its customers, partners and suppliers he was even more confident of success. He said Norton already had a *management blue-print for* reform and plenty of able managers in both companies keen to implement it.

In the year to September 30 1985 Mc Corquodale recorded pre-tax profits of £10.2m on turnover of £160.2m with analysts for predicting about £13m pre-tax this year which would include a £2m pension fund holiday and £200,000 from moving its headquarters.

Norton made £5.17m pre-tax on turnover of £72.1m. For the year it is predicting £5.8m but said that should be compared with £4.5m for last year following the sale of three retail businesses.

Mr Hanwell pointed to average margins three percentage points higher than McCorquodale and a far higher return on assets. He also said that one-third of recent growth had been organic and that the company had created 120 new jobs and doubled exports.

The cost of the bid is highly geared to success — if Norton wins it will pay £5m if it fails it will cost £2.2m.

McCorquodale closed up 7p at 265p.

Undertaker heads for USM

Great Southern Group, a large UK undertaker and crematoria operator, is joining *the USM in a placing which will* value the company at £13.1m.

Throughout the early 1980s the group adopted a policy of consolidation, building up management capability, establishing central controls and re-equipping its fleet of hearses.

Profits growth has been relatively sluggish in the 1980s. The company produced pre-tax profits of £1.32m (£1.31m) on turnover of £11.22m (£10.09m) in 1985.

In the placing, through the merchant bank Hill Samuel, and stockbrokers Wood Mackenzie, Great Southern will release 2.2m shares or 22.7 per cent of its equity at 135p a share.

Stampede for TSB shares

By Richard Tomkins

AS THE final count of applications for shares in the £1.5bn offer for sale of the Trustee Savings Bank takes place today, it seems increasingly probable that the rationing exercise will include a ballot as well as a scaling down of applications.

Statistics on the level of response are not yet available—they are due to be released tonight—but the indications so far are that nearly twice as many applications have been received as the 2.3m submitted for British Telecom.

More than £5bn is thought to be chasing the 1.5bn shares, partly paid at 50p a share, suggesting that the issue has been subscribed at least seven times.

Sir John Read, the TSB chairman, indicated on Wednesday that in order to meet the target level of at least 1m shareholders, up to 3m applications might be met in whole or part.

This would leave an ample margin to take account of those planning to sell their holdings in early dealings.

WARD WHITE subsidiary, *Wiener Enterprises Inc., has* agreed to buy the outstanding common stock of privately-owned Builderama Inc., for $6m cash. A further sum of up to $1.2m will become payable over the next three years, depending on Builderama's profit performance.

BET wins control of HAT to complete two-pronged expansion

BY CHARLES BATCHELOR

BET, the diversified services group, yesterday clinched the final part of an ambitious two-pronged takeover campaign by gaining control of HAT Group, the paints, scaffolding and cleaning concern, with its £109m bid.

BET announced that it controlled 51.9 per cent of HAT's shares by the final closing date of its revised offer. It won acceptances from the holders of 22 per cent of HAT's shares; bought 15.7 per cent during the bid; and arranged for an associated company to buy a further 14.2 per cent.

The HAT acquisition and last month's successful takeover of Brengreen, the contract cleaning and waste disposal group, mean BET now claims to be the largest industrialist cleaning company and the largest scaffolding concern in the UK.

BET's cleaning businesses now have a combined turnover of £85m and a UK market share of about 15 per cent while the scaffolding business amounts to £60m and about 14 per cent of the market.

The HAT purchase also gives *BET market leadership in both* the UK and the US for industrial painting.

Neither the contested bid for HAT nor the agreed offer for Brengreen went as smoothly as expected however. Hawley Group, Mr Michael Ashcroft's services company, built up substantial stakes in both companies in an apparent attempt to foil BET's ambitions. Hawley sold to BET however in late August.

"I would think twice about making two bids at the same time again," said Mr Nicholas Wills, managing director of BET.

As part of its defence HAT sold its glass division to Heywood Williams, the aluminium and glass products manufacturer, for £10m. This deal has been completed and cannot be reversed.

The purchase of additional HAT and Brengreen shares by Hawley and the tough opposition of the HAT management forced BET to increase the value of both offers on August 21. It added £1m to the value of the original £31m offer for Brengreen and £19m to the original £96m bid for HAT. The subsequent easing of BET's share price reduced the value of the HAT offer.

The purchase of HAT shares through a BET affiliate set a precedent which could have important implications for future takeover bids.

In the past the Takeover Code has prevented bidders from buying more than 15 per cent of the target company in the market. BET got round this, with the consent of the Takeover Panel, by offering to swap its own shares for those of HAT and gained another 14.2 per cent.

Grenfell builds up Berkeley stake

Morgan Grenfell & Co, merchant bankers, has built up a 20.47 per cent stake in Berkeley Exploration & Production, the independent oil and gas prospector.

The stake was acquired at undisclosed prices from Charterhouse Petroleum which no longer holds shares in Berkeley. Chartehouse was bought by Petrofina, Belgium's largest company, last year for £145m.

The stake is held by Morgan Grenfell & Co and not by the bank's investment management arm, Morgan Grenfell Asset Management. It was described yesterday by a Morgan director as an investment based on the assets held. Berkeley has only made a net profit—in 1985—once in the past five years.

Morgan has taken a substantial minority holding in an independent oil company on one previous occasion, buying 30 per cent of Goal Petroleum. It subsequently sold the stake to the Norwich Union last year.

Philip Hill nav put at 340.66p

British Printing & Communication Corporation, Mr Robert Maxwell's printing group, has calculated the net asset value of Philip Hill Investment Trust, which it acquired last week, at 340.66p per share.

In bids for investment trusts the final value of the offer is calculated after completion on the basis of an up-to-date valuation of its portfolio.

The offer will comprise 1.25736 new BPCC shares and 0.8468p in cash for each Philip Hill share. A total of 103.02m new BPCC shares will be issued to fund the takeover.

Philip Hill shareholders who opted for cash will receive 333.8468p per share.

BPCC has awarded the contract to dispose of the Philip Hill portfolio to Goldman Sachs, the US investment bank.

UK COMPANY NEWS

CES in £23m acquisitions as profits increase by 43%

BY ALICE RAWSTHORN

Combined English Stores announced a pair of acquisitions yesterday. It has mounted its second major acquisition in the retail jewellery sector in little more than a month, by buying the Weir Group from Time Products for £18.9m and has purchased Sunsites, the self-drive camping holiday operator, for £4m.

The company also unveiled its interim results which showed a 43 per cent increase in pre-tax profits to £4.93m in the six months to August 9, in spite of losses at its associate company, Paige. Group turnover rose to £77.87m (£71.66m), earnings per share to 4.98p (3.71p) and the interim dividend to 3p (2.45p) a share.

In August CES became the second largest retail jeweller in the UK by acquiring the Zales group, from its US parent, to add to the existing CES group, Collingwood. With the addition of Weir, CES wil operate 350 jewellers shops across the country.

According to the chairman, Mr Murray Gordon, all three jewellery chains will trade separately. Nonetheless buying power, administration and distribution for Weir and Collingwood will be handled centrally and Weir units will be transformed into Collingwoods at the rate of 20 a year over the next five years.

With the acquisition of Sunsites, Eurocamp — CES's self-drive camping holiday operator —has snapped up its chief competitor. The two companies will remain independent, although administration will be pooled in order to cut costs.

Within CES's established divisions: Biba, the West eGrman fast fashion chain, increased profits to £1.9m (£1.2m); Salisbury, the handbag retailer which has recently implemented a store and product redesign programme, to £1.45m (£1.06m); Allens, the pharmacy chain, to £970,000 (£700,000): and Eurocamp to £2.3m (£1.35m).

Collingwood had a slow start to the year, chiefly because of the sluggish state of the jewellery market in the opening months and the cost incurred in setting up a new warehouse and in store expansion. Its usual seasonal losses rose to £637,000 (£247,000).

CES sustained a loss of £538,000 from Paige, its joint venture with Great Universal Stores. After a radical rationalisation and reorganisation programme Paige should break even by the year end, however, and into profit next year.

● comment

There are two schools of thought about CES in the City. The optimists wax lyrical over its recovery from the tristes of the early 1980s and brandish these results as proof that CES can muster organic, as well as acquisitive, growth. The pessimists frown over fancy prices for retail jewellery chains and the threat of earnings dilution next year. Yesterday the pessimists prevailed and the share price fell by 10p to 225p. Expensive or not buying pewellers in the autumn months is a cunning move given that almost all their profits come in the autumn. Earnings will, inevitably, be diluted in 1987, but CES can at least try to salvage the situation with stringent cost cutting and economies of scale. Meanwhile handbags, prescription chemists and clothing the well-endowed over-40s may be unfashionable niches of the retail sector, but they are much less competitive than the choicer areas. The City expects profits for the full year of £18m leaving the prospective p/e of 12.5 at an undeserved discount on performance, but hampered by all the paper unleashed by the recent spending spree.

Time Products profits up 84%

BY ALICE RAWSTHORN

Time Products, the watch, clock and jewellery group, yesterday announced an 84 per cent increase in pre-tax profits to £1.34m forthe first half of the year. The company also mooted its intention to embark upon acquisitions in the luxury goods sector after the sale of its retail jewellery subsidiary, the Weir Group, to Combined English Stores.

"We have always been rather better at jewellery wholesaling than retailing," said Mr Marcus Margulies, chief executive. "After the recent mergers between Ratners and Samuel, CES and Zales, buying power in the retail jewellery field has become so concentrated that we faced the choice of expanding very rapidly or concentrating on maximising our wholesaling interests."

Time Products is now scouting about for acquisition targets in its existing aeras of activity, watches and clocks, and in related areas such as luxury goods. The company has recently added the Christian Dior and Audemars Piguet collections to its product range in the UK.

In the six months to July 31, Time Products mustered relatively modest increases in turnover in both the UK and Hong Kong, to £16.56m (£16.5m) and £10.56m (£9.08m) respectively. Although profits growth in the UK was held back by relatively sluggish retail trade, wholesaling activities moved ahead, and in Hong Kong, Remex, almost doubled its profits after interest.

Earnings per share rose to 2.71p (1.47p) and the directors propose to pay a dividend of 0.75p (0.5p) a share. Time Products' share price rose by 1p to 79p on the announcement yesterday.

Brown Boveri calls for £9m as profits rise 23%

Brown Boveri Kent (Holdings), the process control and meter manufacturer, yesterday announced a 23 per cent rise in interim pre-tax profits and a one-for-six rights issue to raise £9.1m net.

The company, which is 54.5 per cent owned by Brown Boveri of Switzerland, said the proceeds of the rights issue would be used to fund expansion in North America, Continental Europe and Japan and for strategic acquisitions.

The new shares will be offered at a price of 86p each, which compares with a closing price last night of 100p, down 3p on the day.

The company said that in the first half of 1986, despite the weakening of important overseas currencies against sterling, turnover had increased by 9.4 per cent to £62.66m (£57.3m) and pre-tax profits had gone up from £3.51m to £4.32m.

Earnings per share were 4.48p (3.2p) and the interim dividend goes up to 1.25p a share (1p).

The company added that in the absence of unforeseen circumstances the final dividend was expected to be not less than 2.25p, making a total distribution of 3.5p (3p).

It said that in the first half, as a result of reduced investment in the oil industry and in oil producing countries, orders did not reach the high level achieved in the same period last year, but prospects for the second half of 1986 were favourable.

"Overall, business is progressing well, particularly in the US and the board is confident of a satisfactory outcome for the year."

Plans were in hand to develop a local manufacturing capability for selected products in the US and to form a company in Japan for the sale of specific products which were competitive and known to be in demand.

The interim profit and loss account showed depreciation charges of £1.57m (same), interest charges of £1.3m (same) and tax of £1.3m (£1.29m), leaving profits after tax of £3m (£2.2m).

Brown Boveri in Switzerland will be taking up its rights entitlement and underwriting the remainder.

RAINE INDUSTRIES, residential and commercial estate developer, raised pre-tax profits to £874,000 (£408,000) for the year to June 30 1986, in line with July forecast of not less than £850,000. Turnover was £19.26m (£16.83m). Earnings per 10p share were 2.534p (1.393p) and final dividend is forecast 0.605p for 0.825p (0.75p) total.

MILLWARD BROWN has agreed in principle to acquire AD Factors, a US market research agency. AD's revenue for the year ended February 1986 was $5.7m.

UK COMPANY NEWS

Flotation puts £40m value on Marlborough Technical

BY RICHARD TOMKINS

Marlborough Technical Management, the speciality chemicals group being floated on the stock market, today publishes the prospectus for its offer for sale. Some 6.5m shares, or 18 per cent of the equity, are being offered at 110p, giving the company a market valuation of just over £40m.

MTM was founded less than eight years ago by Mr Brian Wiggins and Mr Richard Lines — now chairman and chief executive respectively — both of whom had previous experience in the chemicals industry.

At first it acted as a management consultancy, identifying demand within the chemicals industry and advising on the design of production facilities to meet it. Soon, however, it went into manufacturing itself.

The group now makes and sells speciality chemicals and chemical intermediaries to a wide range of customers including the pharmaceutical, human hygiene, agricultural, surface coating food processing and photographic industries.

It says its underlying strategy is to identify market needs and mee them rather than allowing its policy to be dictated by existing production facilities. "We are not a me-too product company," says Mr Lines. "We look for products which other people are either not manufacturing at all or not manufacturing efficiently."

The prospectus shows that pre-tax profits came to £1.9m in the year to last December compared with just £7,000 in 1982. For the current year the company is forecasting profits of £3.8m, producing a prospective p/e ratio of 11 after an estimated 18 per cent tax charge.

These figures include a contribution from CSD, a manufacturer of agricultural products such as herbicides, which MTM acquired last May. They also include a small contribution from making fertiliser bags and their wooden carriers for ICI's agricultural division.

MTM says the greatest potential for the company's growth lies in pharmaceutical and agricultural products, perfumery intermediates, photographic chemicals, food additives and surface coatings.

Nearly all the shares being sold are new shares being issued by the company, and the issue will raise about £6.16m to fund the group's development. Initially the proceeds will be used to cut borrowings and provide extra working capital.

● comment

MTM is an unusual animal, and not just because it is the first newcomer to the stock market's chemicals sector for as long as many people can remember. The prospectus is less than explicit about just where the profits are coming from, but it is clear that the biggest single lump is in the manufacture of organic intermediates. On the face of it, the long-term growth prospects might look less than spectacular: this is not, after all, a field noted for its lack of capacity, and the more exciting bits of the business, such as surface coatings, are still relatively small. They said, MTM is offering a management story rather than a product one: what is for sale is Messrs Wiggins & Lines' track record of going from profits of zero to £2m in eight years and the prospect that, given a free hand and £6m to play with, they know their business well enough to do something equally remarkable over the next eight. On a notional tax charge of 35 per cent, the offer would not look cheap next to, say, Laporte or Hickson on a prospective p/e of 14. but it holds out enough promise to find a warm reception in the market.

Office & Electronic down 17% in first half

Office & Electronic Machines, the sole UK distributer for Triumph Adler office equipment, yesterday reported pre-tax profits down 17 per cent at £1.1m for the first half of 1986, against £1.33m last time. Turnover fell £1m to £14.24m.

The company said the industry as a whole had suffered a sharp decline in recent months, both in the UK and Europe. This, coupled with the comparative weakness of sterling, had affected first-half results.

After tax of £422,000 (£527,000) half-yearly earnings per 25p share dropped from 13.16p to 11.09p. The interim dividend is maintained at 3p net. Last year a total of 8.5p was paid from £2.54m profits.

The company reported that the OEM screenplay range of products continued to be in demand despite increased competition and the photocopier division had performed well in an equally fierce competitive area.

The total restructuring of the supplies division had recently been completed and the benefits resulting from this would prove valuable in the medium term. It was expected that the new Triumph-Adler Series 5 typewriters would become available by the end of this year.

In line with the company's policy of exploiting beneficial opportunities, a small Ford retail dealership was acquired at the end of May.

Hillsdown Holdings has a 14 per cent stake in the company.

Ferry Pickering rises to £2m

From a turnover £958,000 ahead at £12.59m the Ferry Pickering Group, printer, packager and publisher, raised its profits for the year to end-June 1986 from £1.61m to £2.09m pre-tax.

Tax took £802,000 (£653,000) and left earnings 2.74p higher at 10.79p per 10p share. A final dividend of 2.1p lifts the total from an adjusted 2.73p to 3.5p net.

Retained profits showed an improvement of £240,000 at £868,000.

Corton Beach doubles profit

Corton Beach, the unlisted automotive, foods and leisure company, improved its pre-tax profits by 108 per cent to £202,000 over the 26 weeks ended August 2, 1986.

Turnover rose by 97 per cent to £7.63m and earnings per share worked through 64 per cent ahead at 1.12p. The company aims to return to the dividend list and a final for the year is anticipated.

The Salop Deep Freeze chain was acquired last month and is expected to add over £150,000 profit for the first year to the expanding food division. Corton aims to complete the purchase of the Tern Group and said yesterday that several further important acquisitions were under consideration.

Retained profits amounted to £530,574 and reflected the net profit on the sale of Park Hall Leisure.

Ramar Textiles lifts sales and margins

AGAINST a background of slow retail sales and poor weather, Ramar Textiles, maker of ladies' clothing, lifted its sales by 17 per cent and its pre-tax profit by 25 per cent.

In the year ended May 30 1986 sales rose to £24.55m, compared to £21m in the previous 53 weeks, and the profit reached £934,000, against £750,000.

Mr M. Radin, chairman, explained that in the trading environment the group had to carry higher stocks of pre-sold goods with the consequent increase in financing costs.

Interest and similar charges were up to £522,000, from £403,000. Operating profit rose 26 per cent to £1.46m.

On prospects, the chairman said there was a full order book for the autumn and that next spring looked promising. The knitted garment dempartment which started last year had proved the success anticipated.

Basic earnings came through at 7.4p (5.94p) pre-tax and 4.75p (5.29p) net—the tax charge was up to £333,000 (£81,000).

The dividend is raised from 1.65p to 1.75p at a cost of £220,000 (£207,000).

ASSET TRUST, which this year changed from an authorised investment trust to a fund management business following the purchase of Guildhall Investment Management and Heritable Investment Management, reports turnover of £696,000 and profit before tax of £519,000 for the half year ended June 30, 1986. Earnings per 10p share were 2.28p basis and 1.99p fully diluted and the interim dividend 1p.

UK COMPANY NEWS

Superdrug maintains profit growth with £5m midway

Superdrug Stores continued its profit growth in the second quarter of its 1986-87 financial year and at the halfway stage, pre-tax figures were up 11 per cent from £4.66m to £5.18m.

The company pointed out however, that because of the introduction of its northern warehouse operation, true comparisons had been difficult for the first half and it would only be able to compare "like for like" after the third quarter.

Sales and profits for the year were expected to show a healthy increase to a record level.

Sales for the half year to August 30 1986 rose 24.6 per cent to £93.48m, compared with a 27.6 per cent increase for the same period last year. The company said this advance was very encouraging and represented a 15.5 per cent (13.5 per cent) increase from new stores and 9.1 per cent (same) from existing branches.

Superdrug said the continued sales growth of branches open for more than one year showed that its policy of modernising older branches was paying off. Since March, the company had opened 20 new outlets and anticipated adding at least 46 by the year end making a total of 300.

First-half tax charge was £2.07m (£1.73m). Earnings per 10p share based on the estimated charge were 8.87p (8.36p) or 8.87p (7.55p) fully taxed. The net interim dividend is stepped up from 2p to 2.3p—last year's total was 5p on record £10.36m pre-tax profits.

For the first time in many years, Superdrug has been a net borrower having completed the purchase of the northern warehouse and the freeholds of a number of properties. This has resulted in an interest charge of £329,000 (£338,000 received).

However, contracts will shortly be exchanged for the sale and leaseback of a number of these properties which will substantially reduce the overdraft position.

Bentalls lower but second half starts well

Despite an upturn in sales since May, **Bentalls**, the department store group, failed to recover a first quarter profit shortfall and as a result, pre-tax figures for the half year to August 2 1986 were down from £812,000 to £722,000.

Improved sales were, however, still continuing and Mr Edward Bentall, the chairman, said that operating profits in the opening seven weeks of the second half were well ahead of budget.

First-half sales increased from £27.8m to £29.05m. Tax took £259,000 (£307,000) leaving earnings per 10p share at 1.11p (1.21p), but the interim dividend is 10 per cent higher at 0.44p (0.4p) net—last year a total of 2.3p was paid on £3.27m profits.

In May, Capital & Counties announced that it did not intend to proceed with a bid for Bentalls. This was after learning that family and trustee shareholders representing about 49 per cent of Bentalls' equity were going to support the board. Around 57 per cent of the group's share capital is held, mainly through trusts, by family interests.

The company announced yesterday that the detailed planning application for the £110m development of its Kingston store site had been submitted to the Royal Borough of Kingston. Bentalls is planning to hold an EGM to approve the principal terms towards the end of November.

Kwiklok lifts Noble & Lund to £0.34m midway

WITH THE acquisition of Kwiklok, the flat pack furniture maker (completed mid-June), the **Noble and Lund** group produced a pre-tax profit of £344,000 for the first half of 1986.

Mr Jerry Galgey, chairman, said the current year was viewed as one of consolidation. The recent strengthening of management was beginning to have effect, providing a springboard for the future. The company was currently looking at a number of possible acquisitions.

In the six months, Noble and Lund accounted for £100,000 of the profit, compared with £72,000 last time, Kwiklok made £277,000 against a loss of £120,000, and Mecrode this time was responsible for a loss of £32,000. The merger basis of accounting has been used.

Turnover came to £5.2m (£4.65m) and operating profit to £449,000 (£38,000). Net interest payable was £105,000 (£86,000).

Mr Galgey said the engineering division overall performed satisfactorily, the improved results reflecting the greater volume of subcontract work.

Mecrode, recently acquired, had taken longer to reach profitability than was anticipated, and it was expected to at least break even in the current year.

Basic earnings were 4.46p (loss 0.75p) and fully diluted 3.56p. The latter reflected the fact that if Kwiklok's profits continued at their current level for the rest of 1986 and 1987, a further 1.75m shares stood to be issued under the terms of the acquisition.

The interim dividend is held at 0.35p net per share on the higher capital and cost £24,000 (£20,000).

Noble & Lund is controlled by Galgey Technical Industries.

Astbury & Madeley 13% higher

Although market conditions were very competitive, **Astbury & Madeley (Holdings)**, distributor for the engineering and plumbing trades, raised pre-tax profits by 13 per cent from £891,000 to £1.01m for the first half of 1986, on turnover 7 per cent higher at £13.4m.

The company said that in common with much of its trade, conditions were found to be sluggish in the first half. Current trading, however, appeared to be slightly more buoyant and should this trend continue, full year results would show a satisfactory improvement over 1985's £1.87m pre-tax.

After tax of £375,000 (£368,000) earnings per 20p share climbed from 5.63p to 6.77p. The net interim dividend is in effect raised to 1.25p (1.125p adjusted) costing £116,000 (£105,000)—last year's total was equivalent to 4.5p after adjusting for the one-for-two scrip issue.

Jacob hits I£0.8m as margins improve

AN IMPROVEMENT in trading margins from 3.2 to 4.2 per cent and a I£261,000 reduction in interest charges enabled **W. & R. Jacob**, Dublin-based biscuit maker, to lift first-half profits by I£519,000 to I£834,000 pre-tax.

Demand for the group's products, both in the home and export markets and its share of the domestic biscuit market, were maintained.

An improvement in the value of sales in the home market, however, was more than offset by a reduction in the value of exports, measured in Irish pounds, because of a recent upward movement in the currency.

The directors said yesterday that the continuing programme of change, innovation and investment within the group was yielding the expected benefits, as indicated by the higher margins being earned.

Turnover for the opening half-year (to July 11 1986) was little changed at £27.05m (£27.42m) but trading profits pushed ahead from £882,000 to £1.14m.

Earnings amounted to 3.3p (2.9p) and the interim dividend is being lifted from 2p to 2.3p net on the share capital enlarged by last February's rights issue.

Disappointing start for Sandhurst

Turnover for **Sandhurst Marketing**, up by £1.86m to £15.9m, was almost £1m below the company's expectations. However Mr B. D. Hulme, chairman, said there were indications of an improvement and hoped that the shortfall could be made up in the second half.

Operating profit was only £20,000 ahead at £1.18m and after unchanged net finance charges of £552,000 and an exceptional debit this time of £29,000 the pre-tax figure was down at £601,000, against £61,000.

Earnings per 10p share were unchanged at 1.28p basic and 1.35p diluted. The interim dividend is being maintained at 0.389p.

The shortfall in demand for this maker of chemical products and supplier of stationery and office equipment was general throughout the group.

Aberdeen Construct. advances 14% and on target for £5m

Aberdeen Construction Group yesterday reported first-half 1986 taxable profits up 14 per cent to £1.65m and confirmed that based on current trends, the full year result was likely to be in line with the £5m forecast in June.

In 1985, pre-tax profits fell from £4.86m to £3.67m. Initially, £4.63m was reported for that year, but this figure was later reduced by an extra provision of £960,000, arising on reappraisal of the potential results on civil engineering work.

The company said yesterday that the provision made in the 1985 accounts for the anticipated loss on the civil engineering contract at Buckton Castle, Derbyshire, appeared to have been sufficient. However, this would not be known until completion of the contract at the end of the year.

While external sales for the half year to June 30, were only marginally higher at £47.78m, against £47.59m, trading profits rose 49 per cent to £1.09m. Pre-tax figures included reduced net interest received of £558,000 (£173,000).

After tax of £615,000 (£600,000) earnings per 25p share increased from 5.1p to 6.24p. The net interim dividend is stepped up from 2.3p to 2.4p—last year's final was 5.7p.

The company said that the amalgamation of the construction activities was proceeding and some of the anticipated benefits were beginning to accrue.

Contracting profits showed an improvement over the same period last year, but concrete and extractive profits, while satisfactory, had not matched last year's figures.

Dowding & Mills tops £4m on flat trading

ALTHOUGH trading conditions were subdued in the second half, **Dowding & Mills** produced a record pre-tax profit of £4.14m in the year ended June 30, 1986. That was an improvement of £616,000 on the previous year.

Earnings rose from 3.15p to 3.86p and Mr Peter Hollings, the chairman, said he was confident they would again show an increase in the current year.

With trading conditions flat, however, the increase would come from the benefits of capital investment, from integrating the acquisitions, and improving returns on capital employed.

When the UK economy did pick up, the company would benefit even more, he said.

The acquisition programme continued. In July, Bootham Engineers was purchased for £7.2m in shares; last month Mannings Marine was bought for an initial £625,000 in shares, and earlier this week Electric Motor Services was acquired for £350,000.

Mr Hollings said acquisitions had achieved the goal of changing the company's size and shape.

Prior to 1980 it was almost wholly dependent on rewinding and repairing electric motors in the UK. That core business was now about half the total with the balance being the maintenance, repair and reclamation of mechanical plant, plus other related services, at home and abroad.

The chairman said some £3m was spent on fixed assets in the year, but total net borrowing was £558,000—only 5 per cent of shareholders' funds, against 8.3 per cent last time.

Turnover in the year rose from £25m to £28.39m, and that generated an operating profit up from £3.69m to £4.26m. Interest charged was cut to £137,000 (£170,000).

The tax provision was £1.56m (£1.48m) and there were minorities of £20,000 this time.

The final dividend is 7p for a net total of 1.58p, against a scrip adjusted 1.4p.

THARSIS is holding its interim dividend at 2p net. In first half turnover £2.59m (£2.8m) and profit before tax £404,000 (£660,000). Expected that year's total sales of pyrites similar to 1985. House development project completed and significant revenue from land development cannot be expected without further investment—directors looking into this.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	50	♯Broad St. Grp.10p	51	–3	b1.1	2.2	3.0	21.1
§130	F.P.	17/10	195	152	♯Creighton Labs 20p	182	–3	u3.7	2.2	2.9	22.1
160	F.P.	24/10	146	128	Euro Home Products 5p	128	–5	R4.25	2.5	4.7	9.8
§105	F.P.	16/10	112	105	♯Eve Construction	107	–1	u4.5	3.2	5.9	7.5
134	F.P.	—	161	134	♯F & H Group 10p	145	......	L4.76	2.5	4.6	12.0
30	F.P.	—	28	28	Group Development	28	......	—	—	—	—
150	F.P.	25/7	172	150	Guthrie Corp	164	......	u5.3	2.2	4.6	10.5
150	F.P.	15/8	165	156	Harrison Inds. 10p	158	......	g5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£36	......	—	—	—	—
§135	F.P.	—	154	145	♯Local London Group 5p	154	......	W5.0	1.8	4.6	17.3
§75	F.P.	24/10	79	75	♯Menage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
§33	F.P.	29/8	34	27	♯Omnitech 1p	28	......	—	—	—	—
135	F.P.	24/10	160	151	Sandell Perkins 10p	158	+1	u3.8	2.9	3.4	14.5
[illegible]	F.P.	—	£58⅞	£58⅝	SmithKline Beckm'n$.25	£58⅞	......	$2.85	—	3.3	—
—	F.P.	—	18½	9	Sutcliffe Speak Wrnts	17	–1½	—	—	—	—
130	F.P.	21/8	173	157	♯TV-am 10p	169	+2	R5.75	2.6	4.8	11.3
‡‡	F.P.	—	385	368	♯Utd. Trust & Credit £1	372	–3	u24.0	2.1	5.3	12.9
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	10/10	156	137	Yorkshire TV	138	+1	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
£100	F.P.	23/10	100½	94	Bournem'th & Dist Wtr 10½%Rd Db 1996	94	–½
‖	F.P.	10/10	103p	96p	Egerton Tst 7% Cv Cm Red Pf	100p	......
¶¶	F.P.	26/9	94	80	Hollis 252% Cnv. Subord. Ln. 1988 (2⅞p)	80	......
—	—	—	29	26½	JF Pacific Warrant S. A. Pref.	26½	......
§100	£10	—	9½	7	Mid-Sussex Water 11% Red Deb2012-16	7	–1
§100	F.P.	30/10	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	110p	......
§99.937	£25	24/10	25¼	23½	Nationwide 3⅞% It. Ln. 2021	24	+½
—	F.P.	—	100⅛	98⅞	Do 9¾% 7/9/87	98⅞	–1
—	F.P.	—	100⅛	99⅞	Do 10⅛% 21/9/87	99⅞	–⅛
§100	F.P.	23/10	100½	94	Portsmouth Water 10½% RedDeb 1996	94	–¼
‖	F.P.	24/10	108¾p	101p	Rush & Tompkins7.5%Cnv.Cum.Red.Prf.£1	101p	......
96.645	£25	8/1	24¼	18½	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	18¾	......
—	F.P.	—	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	98p	......
¶¶	F.P.	—	122p	119p	WCRS 55% Cnv. Cum. red. Pref. 1999	119p	–3
¶¶	F.P.	—	104p	104p	Williams Hldgs 5¼% Cum Cnv Prf	104p	......

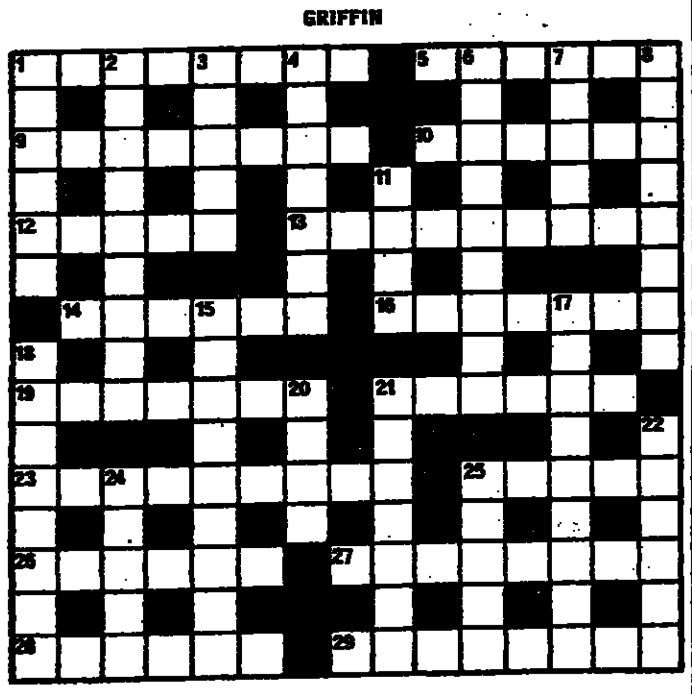
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
195	Nil	—	12pm	10pm	Buzzl	10pm	–3
‖	Nil	24/10	1pm	½pm	Cambian Venture Cap. 5p	½pm	–½
25	Nil	—	8pm	8pm	Christy Hunt	8pm	......
215	Nil	—	5pm	3½pm	New Court Nat.Res. 5p	3½pm	......
215	Nil	22/10	25pm	13pm	Persimmon 10p	16pm	......
250	Nil	—	49pm	43pm	Tiphook 10p	48pm	......
60	Nil	—	13pm	13pm	United Spring 10p	13pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. *L* Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮▮ Allotment price. ♯ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,135

GRIFFIN



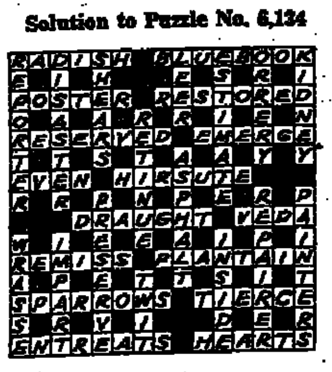
ACROSS

1 Doctor warns me about Eastern clothing (8)
5 When leaving case in car it's compulsory (6)
9 Does turn dead miserable (8)
10 Part of one's eye make-up? (6)
12 Stupid car designed by two Poles (5)
13 Right name, perhaps, for horrifying experience (9)
14 The programme containing the information, woman! (6)
16 Hardy the sailor could be lured outside (7)
19 The soldiers ate outside, being exhausted (7)
21 A word of warning! (6)
23 Not being disturbed, laughs uncontrollably during the attack (9)
25 Dance with fool carrying music centre (5)
26 Pressed to enter, I had the right one (6)
27 Revere is even silly enough to speed (8)
28 Workman left key behind shaft (6)
29 Profit from negotiated site rent (8)

DOWN

1 Dim sort of middlemen in care of doctor (6)
2 Wandering, lost again, and longing to return home (9)
3 Coming back, killed a student in the city (5)
4 Aerial worker to whom Mark's wife returned (7)
6 During the pointless quarrel, turn over (9)
7 In tea container made of porcelain (5)
8 Turned aside little Elizabeth carrying a disease (8)
11 Old notice, for example, put back in (4)
15 The new apron, Mr Kinnock accepted, is unique (9)
17 Block B carried a cook (9)
18 Warn a pretty girl about my French (8)
20 Likes a boy to rise about midnight (4)
21 Restricted to small, badly bent enclosure (7)
22 Demonstrate a tin-opener on trial (6)
24 A firm nurse without showing disdain (5)
25 At that place, the rest lose the way (5)

Solution to Puzzle No. 6,134



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
Allied Dunbar Unit Trusts PLC (a)(c)
Anthony Wieler Unit Tst. Mgmt. Ltd
Arbuthnot Securities Ltd (a)(c)
Archway Unit Tst. Mgs. Ltd(a)(c)
Ardwright Management
Atlanta Unit Managers Ltd
Baillie Gifford & Co Ltd
Baltic Trust Managers Ltd
Barclays Unicorn Ltd(a)(c)(g)
Baring Fund Managers Ltd
Barrington Mgmt Co Ltd (a)
Bell Court Fund Mngt PLC
Bishopsgate Progressive Mgmt. Co
Brewin Dolphin Unit Trust Mngrs Ltd
Bridge Fund Managers (a)(c)
Brown Shipley & Co Ltd (a)(g)
Buckmaster Management Co Ltd
CS Fund Managers Ltd
Canada Life Unit Trust Mngrs. Ltd
Cannon Fund Managers Ltd (a)
Capel (James) Mngt. Ltd
Cater Allen Unit Tst Managers
Cent. Bd. of Fin. of Church of England
Charities Official Invest. Fund
Charterhouse Tilney
Chieftain Unit Trust Managers Ltd
City Financial Unit Trust Mngrs Ltd
Clerical Medical Unit Trust Managers
Colonial Mutual Unit Trust Managers Ltd
County Unit Tst. Mgrs Ltd
Crescent Unit Trust Managers Ltd
Dartington Unit Trust Mgmt Ltd
Discretionary Unit Fund Managers
Dunedin Unit Trust Managers Ltd
EBC Amro Unit Trust Mangmt Ltd
Equitable Units Administration Ltd
Equity & Law Un. Tr. M. (a) (b) (c)
F & C Unit Management Ltd
Fidelity Investment Services Ltd
Framlington Group (a)
Friends' Prov. Trust Managers
Funds in Court
G. & A. Trust Ltd (a) (g)
GT Unit Managers Ltd
Global Asset Management
Govett (John) Unit Mgmt. Ltd
Grenfell Unit Tst Mngt Ltd
Guardian Royal Ex. Unit Mgrs. Ltd (a)
Guild Management Limited
Guinness Mahon Unit Trust Managers Ltd
Hambro Bank Unit Trust Managers Ltd
Henderson Administration (a) (b) (c)
Hill Samuel Unit Tst. Mgrs.
IBI Fund Managers Ltd
Key Fund Managers Ltd (a)(c)
Kleinwort Benson Unit Managers
L & C Unit Trust Management Ltd
LAS Unit Trust Managers Ltd
Laurentian Unit Tst Mngmt Ltd
Lazard Brothers & Co Ltd
Legal & General (Unit Tst. Mngrs.) Ltd
Leonine Administration Ltd
Lloyds Bk. Unit Tst. Mngrs. Ltd (a)
Local Authorities' Mutual Invest. Tst.
London & Manchester (Tst Mgmt) Ltd
London Law Unit Trust Mngt. Ltd
M & G Group (y)(c)(z)
MGM Unit Managers Ltd
MLA Unit Trust Management
Manulife Management Ltd
Mayflower Management Co Ltd
Mercury Fund Managers Ltd
Midland Bank Group UT Mngrs. Ltd
Minster Fund Managers Ltd
Murray Johnstone UT Mgmt. (a)
NFU Mutual Unit Managers Ltd
National Provident Inv Mgrs Ltd
Norwich Unit Trust Managers
Octavian Unit Trust Mgmt Ltd
Oppenheimer Fund Mngt Ltd
Orion Royal Bk. Tst. Mgrs. Ltd
Pearl Trust Managers Ltd (a)(g)
Perpetual Unit Trust Mngmt. (a)
Prolific Unit Trusts
Providence Capital Fd. Mgrs. Ltd
Provident Mutual Unit Trust Managers Ltd
Prudential Unit Trust Managers Ltd (a) (b) (c)
Quilter Management Co Ltd
Reed Stenhouse Inv Services Ltd
Reliance Unit Mgrs. Ltd
R.H.L. Rothschild Asset Management
Rowan Unit Trust Mngt. Ltd (a)
Royal Life Fd. Mgmt. Ltd
Royal London Unit Tst Mgrs Ltd
Royal Trust Can. Fd. Mgt. Ltd
SKB Management Limited
Save & Prosper Group
Schroder Unit Trust Managers Ltd
Scimitar Asset Management Ltd
Scottish Equitable Fund Mgrs. Ltd
Scottish Life Investments
Scottish Mutual Investment Managers Ltd
Scottish Provident Inv. Mgt. Ltd
Scottish Unit Managers
Scottish Widows' Fund Management
Scotbits Securities Ltd
Standard Life Trust Mngt. Ltd
Stewart Ivory Unit Trust Mgrs Ltd (a)
Sun Alliance Fund Mangmt. Ltd
Sun Life of Canada Unit Mgrs Ltd
Sun Life Trust Mngt. Ltd
Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
TSB Unit Trusts (b) (c) (y)
3i Unit Trust Managers Ltd
Target Trust Mngrs. Ltd (a)(g)
Templeton Investment Management
Thornton Unit Managers Ltd
Touche, Remnant Unit Trust Mngt Ltd
Trades Union Unit Trust Managers
Transatlantic and Gen. Secs. Co. (y)
Triton Fd Mngrs. Ltd.
Tyndall Managers Ltd(a)(b)(c)
UK Provident Unit Trust Managers Ltd
Unit Trust Account & Mgmt. Ltd
Vanguard Trust Managers Ltd
Wardley Unit Trust Managers Ltd (a)

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	23.0	24.5	+0.6	0.15
Pacific Basin	18.3	19.5	+0.4	0.2
Canadian Based Growth	58.5	62.5	....	0.98
Ginnie Mae	101.5	105.7	+0.4	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.8	59.4	-0.1	1.5
British Growth (z)	64.0	67.9	-0.9	2.5
British Income (z)	66.8	68.7	+0.4	4.75
British Extra Yield(z)	49.9	51.3	-0.1	7.0

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.8	....	—
U.S. Govmt Bond Fd	$0.511	0.514	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Growth & Equity Tst	48.7	51.9	....	7.40
Growth Trust	52.1	55.5	....	2.24
Income Trust	53.8	57.3	....	5.07

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	69.1	72.6	....	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	126.7	134.8	....	3.23

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12	—	105.9	....	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2	....	—
Equity Ser 1	100.9	106.3	-0.5	—
Prop. Acc. Ser 2	278.8	293.5	....	—
Equity Ser 2	109.6	115.4	-0.6	—
Selective Acc	235.0	247.4	-1.3	—
Prop. Ser. 4	220.1	231.7	....	—
Equity Ser. 4	113.1	119.1	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100	106	....	—
Risk & Reward Bond	123.0	130.0	+2.0	—
Murray Johnstone Fd	121.0	128.0	....	—
Money Market Fd	104.0	110.0	....	—
Ivory & Sime Pens Fd	102.0	108.0	....	—
Risk & Reward Pens Fd	103	109	....	—
Murray J'stone Pens Fd	118.0	125.0	....	—
Money Market Pens Fd	104.0	110.0	+5.0	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2HU Tel: 0908 690888

Current Series				
Property Fund	113.0	119.0	....	—
Money Fund	222.7	234.5	....	—
Managed Fund	404.7	426.0	....	—
Equity Fund	252.0	265.3	....	—
Fixed Interest Fund	142.9	150.5	....	—
Far East Fund	215.9	227.3	....	—
North American Fund	168.4	177.3	....	—
Natural Resources Fund	142.4	149.9	....	—
Pension Managed Fund	377.0	396.9	....	—
Pension Equity Fund	238.8	251.4	....	—
Adventurous Mngd Fd	113.2	119.1	....	—
Balanced Mngd Fd	109.7	115.5	....	—
Conservative Mngd Fd	105.8	111.4	....	—
European Fund	104.6	110.2	....	—
International Fund	115.5	121.6	....	—
S.U.H. Flagship Fd	121.2	127.6	....	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	131.6	138.6	-0.5	—
Equity	148.3	156.2	-1.5	—
Property	109.1	114.9	....	—
Gilt & Fixed Interest	107.8	113.5	-0.4	—
Indexed Securities	98.8	104.0	-0.2	—
Cash	107.6	113.3	....	—
North American	106.2	111.8	-0.3	—
Far East	133.0	140.0	+1.0	—
International	125.0	131.6	....	—
Special Situations	143.7	151.3	-0.6	—
International Income	138.9	146.3	-1.1	—
American Income	115.9	122.1	-0.7	—
European	148.2	156.0	+0.6	—
Flexible Retirement Plan				
Mixed	135.5	142.7	-1.0	—
Equity	143.0	150.6	-2.0	—
Property	114.5	120.6	-0.1	—
Gilt & Fixed Interest	113.1	119.1	-3.5	—
Indexed Linked	100.9	106.3	-1.4	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$28.59			—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$26.43			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Magt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$17.96			—
Dynamic Grwth Fd.	$19.61			—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	1031.92	12.61		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.40			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	8.50	6.35	9.26	6mth
7-day Fnd.	8.75	6.54	9.54	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	8.85	6.61	9.46	6-Mth
7-day Fund	9.19	6.87	9.85	6-Mth
Dollar	5.69			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	9.25	6.80	9.83	Qr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	9.25	6.93	9.59	Qr
Mth. Int. Chq.	9.25	6.93	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc.	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qr
Beachmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc.	9.25	6.91	10.04	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.50	7.10	10.33	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates phone "phone our Hotline 01-581 0629				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	8.69	5.00	7.18	Qr
£2,500 +	9.36	7.00	10.12	Qr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc.	9.50	7.10	10.30	Qr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc.	9.70	7.25	10.39	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.69	7.20	10.42	Qr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.01	6.73	9.78	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc.	9.00	6.75	9.75	Qr
£10,000 +	9.36	7.00	10.12	Qr
M.I.M. Britannia Ltd 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.15	6.83	9.9128	—
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-726 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qr
£10,000 and above	9.375	7.00	10.12	Qr
Oppenheimer Money Mngmt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct.	8.75	6.54	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc.	9.125	6.82	9.84	Qr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc.	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.37	7.00	10.19	Qr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	8.90	6.65	9.69	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc.	9.34	6.98	10.09	Qr
Money Acc.	9.36	7.00	10.12	Qr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	8.25	6.17	8.94	Mth
Over £10,000	8.50	6.35	9.21	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 224141				
High Int Chq Acc.	9.62	7.19	10.39	Qr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc.	11.0	8.22	11.94	Qr

NOTES—Gross: rate in those except from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	36
BTR	28	Racal Elect	26
Babcock	17	RHM	28
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

LME plea in negotiations with market regulators

BY STEFAN WAGSTYL

THE London Metal Exchange is continuing to press hard for special treatment under the Government's proposed new regulatory framework for the City's financial markets.

It hopes that it can settle its differences with the Securities and Investments Board, the embryonic City regulatory body, which has demanded that the LME makes sweeping reforms to meet the requirements of investor protection legislation currently before Parliament.

The argument between the LME authorities and the SIB now centres on the issue of LME brokers segregating client accounts. At present, brokers can offset "buy" and "sell" contracts on their books against each other. If the SIB has its way, brokers will no longer be allowed to net off positions in this way—just as they cannot on most other exchanges, including the London Commodity Exchange.

The SIB has not commented publicly on this proposal.

The Bank of England is understood to have intervened in the argument in an attempt to bring the two sides together. However, Mr Michael Brown, LME chief executive, and Mr Ted Jordan, chairman of the LME committee, said yesterday an agreement with the SIB was not yet in sight.

The LME is hampered in its negotiations with the SIB by a number of factors — firstly, its management structure is under review following a highly-critical consultants' report; secondly, it does not find it easy to approach the Department of Trade and Industry (which is responsible for the government's regulatory legislation) because several LME mebers are planning to sue the UK Government over i's involvement in the tin crisis.

However, the LME argues that change would be too costly. It says trade clients are prepared to put up with extra risk of unsegregated accounts for the sake of saving money. Some trade clients have pointed out that it would be cheaper to take out credit risk insurance than to pay the increased costs that segregation would entail.

The LME proposes that to satisfy the Government's wishes to protect investors, direct access to the exchange should be limited to trade clients only. Private clients would have to deal through an intermediary company.

Originally, LME authorities believed that a new trading system could be in place by January. Now, they hope it could be ready by March.

CFTC bill due in Senate

BY NANCY DUNNE IN WASHINGTON

THE US Senate yesterday was expected to take up legislation reauthorising the Commodity Futures Trading Commission, along with a provision calling for a two-year phasing out of off-exchange commodity contracts.

The proposed ban on the trading of so-called leverage contracts has been strongly backed by the CFTC, which contends that they serve no economic purpose. However, the only two companies permitted to trade leverage contracts — Monex International and International Precious Metals—have made powerful friends on Capitol Hill, and the House of Representatives has agreed to allow an aventual expansion of leverage

Ms Susan Phillips, the CFTC chairman, has indicated a willingness to abide by a Congressional decision on the issue if she can get reauthorisation behind her this year. The house would give the agency a new three-year lease of life; the Senate, a six-year renewal.

Unwilling to begin the reauthorisation battle again next year, Ms Phillips this week called the house bill "a feasible approach." In the past she has argued that the leverage business is "fraught with customer abuse" and "more expensive than the commission can afford (to regulate) within its current budget."

Senator Pete Wilson of California, the home of Monex, is the chief proponent of leverage in the Senate. As a member of the Senate agriculture committee, he succeeded in holding up reauthorisation for months until it was agreed that he will be allowed a seat on the house-senate conference committee which will work out the final legislation.

Farm state legislators were taking the appearance of the CFTC legislation yesterday as an opportunity to attach provisions for farm aid. Senator Robert Dole threatened that the bill would be withdrawn if it became a vehicle loaded down with non-germane amendments.

N America picks up a blueberry bonus

BY BERNARD SIMON IN TORONTO

Favourable currency movements, the Chernobyl nuclear accident and active trade promotion have sparked a strong revival in the fortunes of US and Canadian wild blueberry growers.

The Wild Blueberry Association of North America, based in Fredericton, New Brunswick, expects a strong upturn in exports this year to West Germany, the growers' biggest foreign market. Demand in Britain and Japan has also improved, and the association plans a marketing mission later this year to Australia, New Zealand and Hong Kong.

The revival in demand has coincided with an unusually low crop. Largely as a result of unseasonal frost in Quebec, this year's wild blueberry harvest in Canada and the US is estimated at 65m lbs, compared to 80m lbs in 1985. Prices have thus risen sharply, from 25 Canadian cents a pound last year to a record 40 cents to 42 cents.

Picking, which normally starts in mid-August, has just been completed in the main growing areas of Nova Scotia, New Brunswick and the US State of Maine.

Free-for-all in the South Atlantic fishing

BY TIM COONE IN BUENOS AIRES

IT IS a truism from the study of oceanic food chains, that the big fish always eat the little fish. The relative size of their mouths prevents the reverse from happening.

But in the increasingly problematic dispute between the UK and Argentina over South Atlantic fisheries, human competition seems to be getting in the way of this process. The big fish, caught mainly by Argentinian trawlers, face a reduction in their food supplies due to exploration of the region's stocks by smaller fish by foreign fleets.

At the beginning of August, Argentina announced it had finalised negotiations with the Soviet Union and Bulgaria to regulate the catch of their trawler fleets operating in the south-west Atlantic. The move gives tacit recognition of Argentinian sovereignty claims over the fishing grounds off the Falkland Islands, and will also bring important economic benefits to Argentina.

According to Mr Luis Jaimes, Argentina's fisheries minister, the Soviet Union has agreed to limit its catch to 180,000 tonnes a year and Bulgaria to 28,000 tonnes south of the 46th parallel. A tax of between 3 per cent and 5 per cent will be levied on the value of their catches. In addition, the trawlers must buy 30 per cent of their total catch from Argentine trawlers or processing plants and carry 10 per cent Argentine craws. In return the agreement gives free access to Argentina's 200-mile exclusive economic zone by the two countries' trawler fleets.

As such, the deal is an important one for Argentina's flagging fisheries industry. Its deep sea fleet, now having almost 200 deep sea trawlers and factory ships, has expanded considerably since the mid-1970s, its catch growing from 124,000 tonnes in 1975 to a peak of 450,000 tonnes in 1979. Over 50 per cent is exported, earning between $100m and $150m in foreign exchange each year.

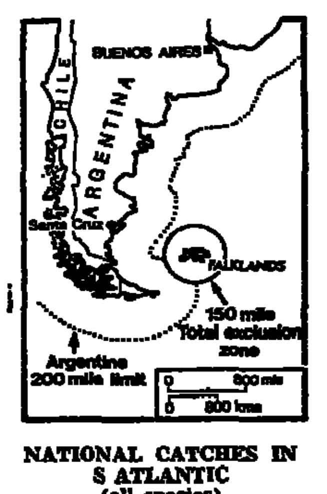
However since the 1979 peak, the annual catch has oscillated between 300,000 tonnes and 350,000 tonnes. Not least because of the creation of the 150-mile pr‹tection zone around the Falkland Islands by Britain following the 1982 war.

Within this are the main fishing grounds for the two most important commercial species, whiting and squid, attracting foreign trawlers to the South Atlantic Argentine trawlers must seek permission to enter the zone, which they refuse to do, arguing it is an unacceptable infringement of Argentina's sovereignty claim.

Argentina's deep sea fisheries employ about 15,000 people, ashore and at sea, many of them in the depressed Patagonian region. The deal with the Soviets and Bulgarians has therefore opened up new export markets for the Argentine trawlermen and given access, through third parties, to the fish shoals within the protection zone where foreign fleets are free to fish without regulation under British jurisdiction.

It is this lack of regulation and subsequent overfishing that has alarmed politicians and fisheries experts at both ends of the Atlantic and which has resulted in two studies on the region's fish stocks over the past nine months.

The first, known as the Beddington Report, was produced



NATIONAL CATCHES IN S ATLANTIC
(all species)
'000 tonnes

	1981	1982	1983	1984
Arg'ntina	253	341	299	320+
Poland	73	248	348	438
USSR	17	19	66	54
Japan	20	38	38	68

at the end of last year for the UK Foreign Office by Imperial College's Centre for Environmental Technology. The second was produced in reply this year for the Argentine government by its National Institute of Marine Investigation and Development.

At stake is the future of the three principal species being fished in the region — the common hake, caught almost exclusively by Argentine trawlers within Argintina's exclusive economic zone well to the north of the Falklands, blue whiting caught mostly by Polish and Soviet factory ships within the Falklands zone and squid caught mainly by Japanese, South Korean and Polish trawlers both within and without the Falklands zone and by Argentine trawlers to the north.

Both the Beddington and Argentine reports coincide in their assessments that the blue whiting is now being seriously overfished. It is a low-valued species, but is caught mainly by the Polish fleet for converting into fishmeal. The new agreement with the USSR and Bulgaria will therefore not go far in protecting this species, especially as the Soviet Union is committed to expanding its own livestock production, and Polish fishmeal from the South Atlantic will figure as an important element in these plans. Furthermore the catch limitations amounting to 208,000 tonnes for the first year of the agreement are already well above the existing levels of Soviet and Bulgarian catches in the South Atlantic.

Assessment of squid stock exploitation presents greater difficulties: the squid is a short-lived species, as stocks vary sharply from year to year. Over 200,000 tonnes are presently being caught annually, over half by Polish trawlers and the Argentine report suggests that the maximum sustainable yield has already been reached.

A further complicating factor, ignored by the Beddington report, is the high level of interdependence of the commercial species in the food chain. The common hake, upon which the Argentine fishery depends, feeds upon squid and anchovies. Any increase in the squid catch to ease pressure on the whiting, may substantially reduce an important food source for the northern hake shoals. The whiting is also an important food source for other valuable hake species found around the Falkland Islands.

The diminuitive anchovy is the only species which is barely exploited in the region and which could be fished as an alternative to the whiting. But it, even more so than the squid, is the principal link in the food chain for the common hake.

The problem of overfishing has thus not even been partially resolved by the recent Argentine-USSR agreement. Inclusion of Poland in the accords, with a substantial reduction in its whiting catch, would therefore be a necessary step in this direction.

According to Mr Luis Jaimes, such discussions are presently taking place with the Polish, and with the Japanese and Koreans over the squid catch, but even if agreement were to be reached, the question remains as to whether policing the agreements could be effective if the UK was not party to the accords and Argentine coast guard vessels were not permitted to enter the Falklands zone.

Meanwhile the British Government, worried about the sovereignty implications of Argentina's bilateral deal (the UK is seeking a multilateral agreement through the UN) sees the fishery issue looming as a serious threat to its whole Falklands policy. Pressure on the fish stocks seems likely to continue in the absence of British resolve to impose its own 200-mile zone around the islands, a tacit recommendation of the Beddington report and strongly echoed by the Falklands and fisheries lobbies in the UK. The fisheries are seen as a key economic resource with which the islands could be developed, thereby reducing the islands' dependence on the UK taxpayer.

However declaration of a British 200-mile exclusion zone around the Falklands would not only impinge greatly on Argentina's own and potentially exclude Argentinian trawlers from practically all of the best fishing ground in the South Atlantic apart from the common hake, it would also be an extremely difficult political step to take, inviting international opprobrium and inflaming nationalist sentiment within Argentina.

The Argentinian fishing lobby has in contrast had considerable success, wielding the sovereignty banner and arguing for good measure that two-thirds of its shore-related industries are idle and that its deep sea fleet is working at only 50 per cent capacity.

In response President Alfonsin's government has managed in its negotiations to net the Soviets and Bulgarians in what are essentially unpoliceable deals, and will now be looking for the prize catch—the Polish.

As long as any potential deal does not unduly interfere with the materialist practicalities of meeting the Comecon targets for meat production, it would seem that Argentina may soon have bilateral fishing agreements setting limits on the bulk of the present catch around the Falklands.

To a relatively big fish in this part of the world like Argentina, such issues must appear like small fry.

Norsk Hydro to build magnesium plant

NORSK HYDRO the Norwegian oil, gas and chemicals group, said its board approved plans to build a C$400m magnesium plant in Canada which will increae world magnesium production by 25 per cent.

The plant, employing 400 people, will be built at Becancour, Quebec, and will reach full capacity of 60,000 tonnes a year by 1990. Construction will begin in April next year.

Higher world wheat estimate

THE International Wheat Council has raised its estimate of world wheat production this year by 2m tonnes to 511m tonnes, writes our Commodities Staff. This compares with last year's total of 513m tonnes and the record of 523m harvested in 1984.

World wheat trade, however, is still forecast at the relatively low level of 90m tonnes, 4m more than last year but 14m down on the 1984-85 record.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,420-2,500.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse, 2.35-2.50.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse, ingots, 0.99-1.03, sticks, 0.99-1.03.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse, 6.20-6.60.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 118-128.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 3.08-3.12.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse, 5.20-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 33-43.

VANADIUM: European free market, min. 98 per cent V O, other sources, $ per pound VO, cif, 2.42-2.5.

URANIUM: Nuexco exchange value, $ per pound UO, 17.00.

LONDON MARKETS

ROBUSTA coffee futures dropped sharply yesterday on the London Commodity Exchange, as a plunge on the New York futures market on Wednesday prompted a bout of liquidation and profit-taking. The November contract closed at £2,451 per tonne, down £75.50 on the day, in which dealers described as a largely technical move in the absence of fresh news. There were, however, unconfirmed rumours that Brazil may have bought most of the coffee it needs to make up for its crop shortfall this year. On the London Metal Exchange, cash aluminium prices fell sharply as the gap between the cash and three months prices narrowed. Cash aluminium has recently been trading at a significant premium to the three-months price, reflecting a squeeze on nearby supplies.

LME prices suplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	833-5	−26	892
3 months	815-5.5	−1.25	816/807

Official closing (am): Cash 822-3 (845-6), three months 809-10 (815.5), settlement 823 (846). Final Kerb close: 815-6. Turnover: 31,400 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	936-7	+7.5	931.5/931
3 months	957.5-8	+6.5	962/949

Official closing (am): Cash 931.5-2 (925-5.5), three months 952-2.5 (946.5-7), settlement 932 (925.5). Final Kerb Close: 960-1.

Standard			
Cash	912-6	+10	912/911.6
3 months	936-40	+9.5	—

Official closing (am): Cash 911.5-2 (901-2), three months 935-7 (922-4), settlement 912 (902). US Producer prices 64-68 cents per pound. Total Turnover: 28,100 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	277.5-8	—	276.5
3 months	283-3	+1	282.5/280.5

Official closing (am): Cash 276.5-7 (277-7.5), three months 281-1.5 (281.5-2), settlement 277 (277.5). Final Kerb close: 280.1. Turnover: 11,650 tonnes. US Spot: 23-24 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2606-10	−7.5	2610
3 months	2650 60	−2.5	2650/2645

Official closing (am): Cash 2,570-5 (2,575.80), three months 2,625-8 (2,632-3), settlement 2,575 (2,580). Final Kerb close: 2,659-60. Turnover: 1,656 tonnes.

TIN

Kuala Lumpur Tin Market: Close 14.14 (14.15) ringgit per kg. Down 0.01 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	605.5-6.5	+6.25	—
3 months	610-1	+5	611/595

Official closing (am): Cash 594-5 (600.5-1), three months 599-600 (605-6), settlement 595 (601). Final Kerb close: £10-11. Turnover: 20,000 tonnes. US Prime Western: 44-47.50 cents per pound.

GOLD

Gold fell $3⅞ an ounce from Wednesday's close in the London bullion market yesterday to finish at $430¾-431¼. The metal opened at $428¾-429¼ and traded between a high of $432½-433½ and a low of $427¾-428¼. Uncertainty ahead of today's G5 meeting and platinum selling pushed the metal weaker in nervous trading.

GOLD BULLION (fine ounce)	Sept. 25	
Close	$430¾-431	(£300¼-301)
Opening	$428¾-429¾	(£296½-297¼)
M'n'g fix	$432.85	(£298.721)
Aft'n'n fix	$429.40	(£298.091)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$428-430	(£298¼-299¾)
½ Krug	$226¼-228	(£157¾-159)
¼ Krug	$115¼-116¼	(£80¼-81)
1/10 Krug	$46¼-47¼	(£32¼-33¼)
Mapleleaf	$442-445	(£308-310¼)
Angel	$436-440	(£304-306¼)
1/10 Angel	$47-52	(£33¼-36¼)
New Sov.	$102-104	(£71-72¼)
Old Sov.	$104-105½	(£72½-73½)
$20 Eagle	$475-525	(£331¼-366)
Noble Plat	$612¾-624	(£427¼-435)

SILVER

Silver was fixed 2.1p an ounce lower for spot delivery in the London bullion market yesterday at 407.75p. US cent equivalents of the fixing levels were: spot 590.25c, down 4.5c; three-month 598.35c, down 5.4c; six-month 606.95c, down 4.75c; and 12-month 625.75c, down 4.4c. The metal opened at 406½-408p (588-590c) and closed at 408-409½p (585-587c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	407.75p	−2.10	407.5p	−0.5
3 months	417.45p	−2.65	417.5p	−0.5
6 months	426.15p	−2.10	—	—
12 months	450.50p	−1.48	—	—

LME—Turnover: 30 (6) lots of 10,000 ounces.

Cash high/low 406.5-406.0, three months high/low 416.5, final kerb 417-8.

MEAT

Pigmeat closed on a weaker tone due to continued stop loss selling in active volume while cattle closed unchanged and untraded despite weaker physical prices, reports Eastern Capital CCST.

Month	LIVE CATTLE Y/day's close	+ or −	LIVE PIGS Y/day's close	+ or −
Sept	93.70	−1.50	—	—
Oct	96.30	+.30	—	—
Nov	98.00	−.50	105.00	+.10
Feb	—	—	98.30	−.20
Apr	—	—	—	—

Cattle sales: 0 (5) lots of 5,000 kg. Pig sales: 0 (0) lots of 3,250 kg.

MEAT COMMISSION — Average fat-stock prices at representative markets. GB—Cattle 91.31p per kg lw (−2.18); GB—Sheep 116.51p per kg est dcw (−11.36); GB—Pigs 81.47p per kg lw (+0.28).

REUTERS INDICES

Sept 22	Sept 24	M'th ago	Year ago
1526.9	1545.5	1453.2	1702.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 24	Sept 23	M'th ago	Year ago
Spot	124.81	125.04	—	114.97
Fut	126.90	127.15	—	116.17

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 25 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1310/335	−22.5	$1285/305
Copper			
Cash Grade A	£936	+7.5	£875.25
3 mths	£957.75	+6.5	£888.75
Gold Troy oz	$431.125	−5.377	$382.575
Lead Cash	£277.75		£269.5
3 mths	£282.5	+1	£272.75
Nickel			
Free Mkt	188/198c	−1	172/182c
Palladium oz	$139.75	−4.25	$142.00
Platinum oz	$585.5	−20.0	$594.50
Quicksilver†	$120/130		$135/145
Silver troy oz	407.75p	−2.10	346.55p
3 mths	417.45p	−2.35	353.85p
Tin			
free mkt	£3760/790		£3880/00
Tungsten	$51.35		$55.63
Wolfram 22.04lb	$32/42		$35/45
Zinc	£606	+5.25	£580.5
3 mths	£610.5	+5	£580/75
producers	$920		$840
OILS			
Coconut (Phil)	$260.00w	+2.45	$315
Palm Malayan	$222.5r		$202.5
SEEDS			
Copra (Phil)	$170x		$140
Soyabean (U.S.)	$169z		$152
GRAINS			
Barley Fut. Jan.	£111.1	+0.6	£106.85
Maize	£154.00		£150.50
Wheat Fut. Jan.	£111.1	+0.1	£107.85
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1520.5	+6.0	£1461.5
Coffee Ft. Nov.	£2451	−75.5	£2227.5
Cotton A Ind.*	48.35c		37.35c
Gas Oil Nov.	$122.75	−3.00	$156
Rubber (kilo)	65.75p	−7.75	59.5p
Sugar (raw)	$125.0w	+1.0	$151
Wooltops 64s	588p kilo	+3	586p kilo

COCOA

Initially a few pounds easier futures rallied late in the afternoon to close on a firm note near the highs. No producer activity was noted but some limited consumer offtake was seen near the lows, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Sept.	1480-1482	+11.0	1480-1465
Dec	1520-1521	+6.0	1525-1498
March	1563-1564	+9.5	1565-1541
May	1580-1582	+8.0	1586-1564
July	1598-1600	+9.5	1600-1584
Sept.	1618-1620	+10.0	1621-1606
Dec.	1638-1646	+12.5	1640-1629

Sales: 3591 (3158) lots of 10 tonnes. ICCO indicator prices (US cents per pound). Daily price for September 24 95.01 (96.25); five-day average for September 25 96.62 (101.55).

COFFEE

Trade selling following a sharp overnight reversal in New York brought Robusta futures under immediate pressure this morning, reports Drexel Burnham Lambert. Successive daily rises this week had left the market in an overbought situation and widespread liquidation continued into the afternoon, with prices ending in the region of £70 lower.

COFFEE	Yesterday close	+ or −	Business Done
Sept	2437-2448	−65.5	2497-2435
Nov	2450-2462	−75.5	2525-2445
Jan	2395-2398	−71.0	2465-2390
Mar	2390-2327	−69.0	2380-2320
May	2305-2317	−66.5	2380-2322
July	2310-2317	−69.0	2355-2315
Sept	2290-2317	−96.5	2355-2325

Sales: 6,873 (5,134) lots of 5 tonnes. ICO indicator prices (US cents per pound) for September 24. Comp daily 1979 186.36 (188.38); 15-day average 182.03 (181.47).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or −	Business done
October	154.5-156.8	+0.75	—
Dec.	156.5-155.5	−0.26	153.0
Feb.	153.5-154.5	−0.45	—
April	155.2-155.8	+0.15	—
June	155.5-154.5	+0.10	—
August	151.5-155.0	−0.15	—
October	152.5-155.0	—	—

Sales: 20 (165) lots of 20 tonnes.

GRAINS

Wheat firmed on aggressive shipper short covering reflecting high restitution bids reaching new contract highs on November, while barley attracted support on wheat/barley switching before easing on fringe shipper selling, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or −	BARLEY Yest'rdy's Close	+ or −
Nov	109.05	+0.50	108.70	+0.20
Jan	111.10	+0.60	111.10	+0.10
Mar	113.30	+0.45	113.10	+0.20
May	115.35	+0.15	114.15	+0.10
July	117.20	+0.10	—	—

Business done — Wheat: Nov 109.05-8.50, Jan 111.15-0.75, March 113.40-3.00, May 115.65-5.50, July 117.30 only. Sales: 744 lots of 100 tonnes. Barley: Nov 109.00-8.65, Jan 11.25-1.10, March 113.10 only, May 114.40-4.30. Sales: 136 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Oct 97.50, Nov 98.75. US No. 2 Soft Red Winter: Oct 99.25, Nov 101.75. French 11½-12 per cent: Sept 130.00. English feed, fob: Oct 112.00, Nov 113.00, Jan/March 115.75 paid East Coast. Maize: US No. 2 Yellow/French, transhipment East Coast: first-half Oct 143.00. Barley: English feed, fob: Jan/March 117.00, Oct/Dec 115.00 sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed Barley: S. East 103.10; S. West 105.30; W. Midlands 106.00; N. West 103.50. The UK monetary co-efficient for the week beginning Monday September 29 is expected to change to 1.223.

POTATOES

A weaker opening Dutch quote saw London open unchanged, trade £1.00 down before finding keen buying interest which quickly caused values to bounce by mid-morning to register gains of £2.00. Market failed to hold these levels over the afternoon, with strong selling from one source knocking market back through £160.00 basis April, hitting stops in process to close at days lows, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	110.5	113.00	113.00-110.5
Feb	122.0	125.50	—
Apr	175.0	184.00	186.00-175.00
May	193.0	199.50	200.50 991.00
Nov	88.0	75.00	—

Sales: 1,117 (1,296) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened slightly steadier, met some covering interest throughout the day and closed on a quietly steady note, reports Lewis and Peat. Closing prices (buyers) Spot 65.75p (65.00p), Nov 64.25p (63.50p), Dec 64.25p (63.50p). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No. 1 231.0 (229.0) and SMR 20 205.0 (206.0).

FUTURES—Index 692, Oct 643-653, Oct-Dec 645-653, Jan-March 656-663, April-June 667-672, July-Sept 680-677. Sales: nil.

OIL

In thin trading October Brent sold at $13.80 and November at around $14. November WTI opened 27 cents down on Nymex and traded 12 cents down at 1.30 pm EDT. The petroleum products market was quiet because of a trade function in Germany. Market assessed slightly weaker on lack of buying interest. Naphtha was unchanged in thin trade. Gas oil dropped $2 to $3 in dull market. Fuel oil continued in slow downward slide—Petroleum Argus, London.

CRUDE OIL—FOB (per barrel)—Oct.	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	14.25-14.40	+0.075
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	150-154	[illegible]
Gas Oil	112-114	[illegible]
Heavy fuel oil	73-74	[illegible]
Naphtha	114-116	[illegible]

* November.
—Petroleum Argus, London.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Oct	116.50	[illegible]	[illegible]
Nov	122.75	[illegible]	[illegible]
Dec	125.25	[illegible]	[illegible]
Jan	130.25	[illegible]	[illegible]
Feb	131.00	[illegible]	[illegible]
Mar	—	—	—
Apr	—	—	—

Turnover: 3,711 (2,495) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (126.50) up $1.00 (up £1.50) a tonne for October-November delivery. White sugar $178.50, down $1.00.

No. 6 Con-tract	Yest'rdy's close $ per tonne	Previous close	Business done
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Sales: 2,370 (2,366) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £188.00 (£188.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 24: Daily price 4.51 (4.58); 15-day average 4.65 (4.63).

PARIS SUGAR—Dec 1185-1181, Mar 1206-1206, May 1240-1248, Aug 1270-1278, Oct 1302-1307, Dec 1337-1350.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	826/832	829/817	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
BFI	[illegible]		[illegible]

Turnover: 344 (79).

	Close	High/Low	Prev.
Tankers			
Sept.	970/1000	970	980/1000
Oct.	1070/1120	1100	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
BTI	[illegible]		[illegible]

Turnover: 12 (15).

US MARKETS

NYMEX Platinum Futures opened sharply lower which triggered selling in the gold and silver rings in brisk early trading, reports Heinold Commodities. However, the markets quickly firmed off the lows on short covering. October platinum opened $19.30 lower, December gold opened $2 lower and silver came in 7.8 cents lower. The selling started in London as afternoon selling there touched off sell stops which drove the market lower. This selling spread to New York which was originally called to open higher because of firming London prices during their morning session. However, late short covering and good commission house/speculative buying pushed prices up towards the close. In addition, the US$ weakened against foreign currencies which helped relieve the pressure on the gold market. Sugar future closed unchanged on moderate volume as scale down buying by the trade countered local short-covering. October was the most active month as switch trading on the October/March spread continued to preoccupy some traders.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	51.85	52.25	52.15	52.15
Oct	52.05	—	—	52.10
Nov	52.25	—	—	52.30
Dec	52.45	52.75	52.45	52.75
Jan	52.50	—	—	52.80
March	52.70	52.65	52.65	53.00
May	52.95	—	—	53.25
July	53.20	—	—	53.50
Sept	53.40	—	—	53.70
Dec	53.50	—	—	53.80

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	2013	2024	2218	2000
March	2044	2050	2020	2031
May	2068	2075	2047	2060
July	2086	2090	2074	2078
Sept	2102	2102	2100	2093
Dec	2117	2117	2105	2107

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Dec	212.10	212.95	208.25	212.17
March	203.76	204.00	199.75	203.59
May	202.42	202.50	198.50	201.61
July	203.10	198.80	198.50	201.25
Sept	204.00	204.00	200.25	201.25
Dec	204.70	205.25	—	201.76

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	60.80	60.85	60.50	60.50
Oct	60.90	—	—	60.60
Nov	61.20	—	—	60.80
Dec	61.45	61.50	60.80	61.15
Jan	61.65	—	—	61.25
March	61.75	61.75	61.10	61.40
May	62.05	61.95	61.50	61.70
July	62.30	62.10	62.00	61.95
Sept	62.55	62.40	62.40	62.20
Dec	63.00	62.85	62.85	62.65
Jan	63.10	—	—	62.75
March	63.40	—	—	63.05
May	63.70	—	—	63.35
July	64.00	—	—	63.65

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	43.50	44.80	43.40	45.10
Dec	44.00	46.15	43.60	45.33
March	44.90	45.95	44.45	46.33
May	45.50	46.55	45.50	46.65
July	45.90	46.90	45.90	47.00
Oct	—	47.00	47.00	48.05
Dec	47.40	48.50	47.50	48.70
March	49.50	—	—	49.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Nov	14.38	14.53	14.30	14.57
Dec	14.48	14.67	14.43	14.70
Jan	14.42	14.60	14.40	14.63
Feb	14.35	14.47	14.30	14.53
March	14.28	14.40	14.30	14.45
April	—	14.35	14.35	14.40
May	14.20	14.50	14.20	14.36
June	—	14.25	14.25	14.31
July	14.20	—	—	14.28
August	—	—	—	—

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 15.00 (16.00) cents per pound. Handy and Harman silver bullion 564.50 (593.00) cents per troy ounce.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Oct	39.75	40.15	39.70	40.42
Nov	41.00	41.35	40.90	41.60
Dec	42.30	42.80	42.15	42.83
Jan	—	43.55	43.15	43.60
Feb	43.40	43.85	43.40	44.20
March	41.30	41.45	41.30	41.75
April	—	39.95	39.55	40.05
May	38.50	38.80	38.40	38.80
June	38.00	—	—	38.30

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	106.30	106.75	105.25	106.25
Jan	107.10	107.70	106.15	107.10
March	107.30	108.00	107.00	107.55
May	108.40	108.40	108.00	108.10
July	108.45	—	—	108.60
Sept	108.90	—	—	109.10
Nov	109.40	—	—	109.60
Jan	109.75	—	—	109.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	582.3	596.0	582.0	601.3
Oct	582.8	593.5	581.5	601.8
Nov	—	—	—	—
Jan	588.2	598.5	583.0	607.8
April	592.2	601.0	600.5	611.3
July	596.2	606.5	590.3	615.3
Oct	600.7	604.0	600.0	619.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	576.8	588.0	580.0	591.3
Oct	577.7	—	—	592.3
Nov	579.8	—	—	595.5
Dec	583.0	595.5	582.0	597.8
Jan	586.0	593.0	593.0	600.9
March	591.8	604.0	591.5	606.8
May	597.8	609.5	596.0	613.3
July	604.0	616.0	604.0	619.9
Sept	610.6	625.0	611.0	627.0
Dec	620.5	634.0	620.0	637.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	5.10	5.14	5.04	5.11
Jan	5.70	5.68	5.60	5.72
March	6.27	6.27	6.17	6.27
May	6.49	6.49	6.41	6.49
July	6.66	6.68	6.60	6.66
Sept	—	—	—	—
Oct	6.90	6.91	6.80	6.90

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.67	59.90	59.07	59.55
Dec	56.47	56.67	55.90	56.77
Feb	56.05	56.15	55.65	55.77
April	57.27	57.50	57.00	57.20
June	57.20	57.20	56.90	57.20
August	55.60	55.95	55.50	55.65
Oct	55.00	55.00	55.00	55.45

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	51.75	52.47	51.00	52.30
Dec	51.57	52.40	50.90	51.85
Feb	51.22	52.10	50.55	51.72
April	46.50	47.50	46.00	46.82
June	48.92	49.50	48.50	49.25
July	48.95	49.45	48.25	49.25
Aug	47.00	47.70	46.50	46.90
Oct	43.95	44.10	43.80	44.15
Dec	43.95	44.20	43.90	44.10

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	170.0	171.0	169.0	172.6
March	180.2	182.0	179.0	182.6
May	185.2	187.4	184.2	188.4
July	187.4	189.0	186.0	190.2
Sept	184.0	185.4	183.4	186.2
Dec	188.0	190.0	188.0	190.6
March	196.4	198.0	195.4	198.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	69.42	71.05	69.42	71.42
March	68.47	70.00	68.00	70.00
May	69.27	70.00	67.85	69.65
July	67.90	69.00	67.05	68.62
Aug	64.97	66.20	64.50	65.97

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	480.4	483.0	479.0	484.2
Jan	488.4	491.4	487.4	492.6
March	497.2	500.0	496.0	501.4
May	504.2	506.4	503.0	507.0
July	507.0	509.0	506.0	509.6
Aug	506.2	508.6	506.0	508.6
Jan	514.0	514.0	512.4	516.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	149.4	150.2	148.6	150.3
Dec	150.1	150.9	149.3	151.3
Jan	150.8	151.2	150.3	151.5
March	152.1	152.5	151.5	152.7
May	153.4	153.5	152.5	154.0
July	153.8	154.0	153.0	154.0
Aug	153.7	154.0	153.5	154.2
Sept	153.0	153.5	153.0	153.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	14.21	14.25	14.01	14.34
Dec	14.74	14.86	14.55	14.93
Jan	14.88	14.95	14.70	15.05
March	15.15	15.25	14.98	15.35
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Protection areas for birds designated

MR WILLIAM WALDEGRAVE, Environment Minister, has announced the designation of four further sites as Special Protection Areas for Birds under the EEC Birds Directive.

Three of the sites are also designated as wetlands of international importance under the Ramsar Convention. They are Loch Eye, near Invergordon, Loch of Skene, near Aberdeen, and Rochcliffe Marshes, Cumbria. Priest Island in the Summer Isles, Scotland, has a single designation under the EEC Birds Directive.

Royal Bank rugby sponsorship deal

THE ROYAL Bank of Scotland is to continue sponsorship of the Scottish Rugby Union for a further three years.

The new agreement will bring the bank's support of Scottish rugby to more than £1m by the end of the decade.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound sinks to record low

STERLING FELL to its worst level ever yesterday despite support from the Bank of England for the third day running. A number of large selling orders prompted the Bank once again to buy sterling but this was not enough to comfort a market still badly shaken by Wednesday's announcement of a record trade deficit. This, added to sluggish economic growth and fears about rising inflation and lower oil prices, left traders with very little confidence in the pound.

Consequently sterling's exchange rate index closed at an all time low of 68.7 down from 69.4 at the opening and Wednesday's close. Over the past three months sterling has fallen in value by over 10 per cent. Domestic interest rates were firmer, giving rise to renewed speculation that the authorities may use higher clearing bank base rates as a means of halting the pound's decline.

The pound was quoted at its worst closing level ever against the yen at Y221.75 from Y223.50 and finished at DM 2.9375 in terms of the D-mark down from DM 2.9625 on Wednesday. Elsewhere it slipped SFr 2.3825 from SFr 2.3975 and FFr 9.6225 from FFr 9.7025. Against the dollar it fell to $1.4350 its worst level for seven months and down from $1.4465 on Wednesday.

The dollar finished slightly firmer where changed in nervous trading. Dealers were content to cover positions ahead of today's G5 and IMF meetings. There were hopes that the US and West Germany could agree to some joint formula in relation to the current plight of the US trade deficit. However officials from both sides continued to exchange shots right up to the start of discussions. The Bundesbank left its discount rate unchanged at yesterday's central council meeting and although expected, this was not likely to sweeten relationships. In addition West German officials will want to point to a shrinking trade surplus as evidence of their good intent.

Although threatened with the Presidential veto, a move by the US House of Representatives to impose a limited tariff on imports gave the dollar a brief fillip during the morning, especially against the yen. However ahead of the weekend and IMF meetings the dollar was content to close at Y154.50 and DM 2.0475, unchanged in both cases from Wednesday. Against the Swiss franc it finished at SFr 1.66 from SFr 1.6580 and FFr 6.7050 compared with FFr 6.7075. On Bank of England figures, the dollar's exchange rate index rose to 110.9 from 110.7.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 1.9900. August average 2.0624. Exchange rate index 140.3, against 132.4 six months ago.

Trading was confined to a relatively narrow range in Frankfurt yesterday. The D-mark was largely unaffected with the Bundesbank's decision to leave interest rates unchanged after its central council met since this was in line with expectations. A fall in the West German trade surplus to DM 8.3bn from DM 10.9bn in July also had little effect but served to underline the growing effect of the strong D-mark.

The dollar was fixed at DM 2.0489 up from DM 2.0430 and there was no intervention by the Bundesbank. Attention tended to focus on the weekend start of IMF talks and a meeting of G5 ministers. Against this background, there was little incentive to move outside the recent range. The dollar closed at DM 2.0490 against DM 2.0475.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 152.35. August average 154.15. Exchange rate index 217.2 against 193.2 six months ago.

The yen was weaker against the dollar in Tokyo. This followed news that the US House of Representatives had passed a bill reducing the US budget deficit in 1987 and imposing a limited form of import duty. The effects of all this were muted however ahead of the Bundesbank central council meeting and the G5 gathering today. The dollar rose to Y154.55 up from Y154.15 in New York and Y154.20 in Tokyo on Wednesday.

£ IN NEW YORK

Sept. 25	Latest	Prev. close
Spot	$1.4450-1.4460	$1.4465-1.44
1 month	0.48-0.48pm	0.49-0.48pm
3 months	1.52-1.48pm	1.51-1.48pm
12 months	5.85-5.75pm	5.78-5.70pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4315-1.4480	1.4345-1.4355	0.47-0.44pm	3.80	1.58-1.53pm	4.33
Canada	1.9893-1.0106	1.9915-1.9925	0.33-0.23c pm	1.69	0.99-0.84pm	1.84
Nethlnd.	3.31½-3.32½	3.31¼-3.32¼	1½-1¼c pm	4.52	4¼-4pm	4.97
Belgium	60.78-61.50	60.85-60.95	15-13c pm	2.76	46-42pm	2.89
Denmark	11.08½-11.22	11.08½-11.09½	par-½ore dis	−0.34	½-par pm	0.14
Ireland	1.0695-1.0880	1.0700-1.0710	0.10-0.25p dis	−1.96	0.25-0.60dis	−1.59
W. Ger.	2.93½-2.97	2.93¾-2.94¾	1¼-1⅛pf pm	5.36	4¼-4pm	5.62
Portugal	210.94-214.59	210.94-212.52	80-145c dis	−6.40	235-390dis	−5.92
Spain	193.52-196.35	193.52-193.80	35-65c dis	−3.10	80-120dis	−2.17
Italy	2029½-2053½	2029½-2030½	2-4 lire dis	−1.77	4-7dis	−1.08
Norway	10.63-10.72½	10.63-10.64	3½-3⅞ore dis	−4.06	9⅞-10½dis	−3.83
France	9.61½-9.72½	9.61½-9.62½	1½-1c pm	1.48	5¼-4¼pm	2.05
Sweden	9.96-10.06	9.96½-9.97½	½-¼ore pm	0.53	2¼-1¾pm	0.80
Japan	221¼-224	221¼-222¼	1-⅞y pm	5.07	3-2⅞pm	5.30
Austria	20.65-20.89	20.65-20.68	8¼-7⅛gro pm	4.50	24½-22½pm	4.51
Switz.	2.37¾-2.40½	2.37¾-2.39¾	1¼-1c pm	5.67	3¼-3⅛pm	5.98

Belgian rate is for convertible francs. Financial franc 61.50-61.60. Six-month forward dollar 3.20-3.15c pm. 12-month 6.15-6.05c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4315-1.4480	1.4345-1.4355	0.47-0.44c pm	3.80	1.58-1.53pm	4.33
Ireland†	1.3363-1.3415	1.3375-1.3385	0.85-0.60c pm	6.49	2.30-1.80pm	6.12
Canada	1.3860-1.3890	1.3865-1.3866	0.23-0.26c dis	−2.12	0.85-0.90dis	−2.52
Nethlnd.	2.3105-2.3200	2.3120-2.3130	0.17-0.14c pm	0.80	0.45-0.40pm	0.73
Belgium	42.38-42.53	42.40-42.50	3-5c dis	−1.13	13-17dis	−1.41
Denmark	7.72-7.76	7.72½-7.73	1.75-2.35ore dis	−3.18	5.75-6.35dis	−3.13
W. Ger.	2.0450-2.0545	2.0470-2.0480	0.27-0.24pf pm	1.49	0.78-0.73pm	1.47
Portugal	147¾-148¼	147¾-148	100-140c dis	−9.75	315-415dis	−9.88
Spain	134.70-135.10	134.90-135.00	65-90c dis	−6.90	195-235dis	−6.38
Italy	1414-1419	1414½-1415½	5-7½ lire dis	−5.30	17½-21 dis	−5.44
Norway	7.39-7.41½	7.40½-7.41½	4.70-5.10ore dis	−7.94	14.80-15.20d	−8.11
France	6.70-6.72½	6.70½-6.70½	1.20-1.40c dis	−2.32	3.50-3.90dis	−2.21
Sweden	6.93-6.95½	6.94½-6.95	1.50-1.80ore dis	−2.85	5.30-5.80dis	−3.14
Japan	154.15-155.00	154.45-154.55	0.17-0.12y pm	1.13	0.48-0.43pm	1.18
Austria	14.38½-14.44½	14.41½-14.42	1-½gro pm	0.62	1½-½pm	0.28
Switz.	1.6550-1.6650	1.6595-1.6605	0.28-0.23c pm	1.84	0.77-0.72pm	1.79

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.85-42.85.

EXCHANGE CROSS RATES

Sep. 25	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.435	2.938	221.8	9.623	2.383	3.318	2030.	1.993	60.90
$	0.697	1.	2.048	154.5	6.706	1.660	2.313	1415.	1.389	42.45
DM	0.340	0.489	1.	75.49	3.276	0.811	1.129	691.1	0.678	20.73
YEN	4.510	6.471	13.25	1000.	43.39	10.74	14.96	9154.	8.985	274.5
F Fr.	1.039	1.491	3.053	230.4	10.	2.476	3.448	2110.	2.071	63.29
S Fr.	0.420	0.602	1.233	93.07	4.039	1.	1.392	852.0	0.836	25.56
H Fl.	0.301	0.433	0.886	66.84	2.901	0.718	1.	611.9	0.601	18.36
Lira	0.493	0.707	1.447	109.2	4.740	1.174	1.634	1000.	0.982	30.00
C $	0.502	0.720	1.474	111.3	4.829	1.196	1.665	1019.	1.	30.56
B Fr.	1.642	2.356	4.823	364.1	15.80	3.912	5.447	3333.	3.272	1.000

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Sept. 25	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	8¾-9	9⅛-9¼	9¾-9⅞	10⅛-10¼	10½-10⅝	10⅞-11
U.S. Dollar	5¾-5⅞	6⅛-6¼	5⅞-6	5⅞-6	5⅞-6	6-6⅛
Can Dollar	7¼-8	7⅞-8⅛	7⅞-8⅛	8⅛-8⅜	8⅛-8⅞	8¾-9
D Guilder	5¼-5⅜	5¼-5⅜	5¼-5⅜	5¼-5⅜	5¼-5⅜	5¼-5⅜
Sw. Franc	0-⅛	0-0¼	3⅞-4⅛	4-4⅛	4⅛-4¼	4⅛-4¼
Deutschmrk	4¼-4⅜	4⅜-4⅝	4½-4⅝	4⅞-4⅞	4½-4⅝	4½-4⅝
Fr. Franc	7-7⅛	7⅜-7⅝	7⅞-8⅛	7⅞-8⅛	7⅞-7⅞	7⅝-7¾
Italian Lira	9⅛-10½	10-11¼	10¾-11⅛	10⅞-11⅛	10¾-11⅛	10⅞-11¼
B.Fr.(Fin)	6⅝-6⅞	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
B.Fr.(Con)	6⅝-6⅞	7-7½	7¼-7¾	7¼-7¾	7¼-7¾	7⅛-7⅜
Yen	5-5⅛	5⅛-6	5-5⅛	4⅞-4⅞	4⅞-4⅞	4¾-4⅞
D. Krone	9⅛-9⅝	9⅞-10⅜	10-10½	9¾-10¼	9¾-10¼	9⅞-10⅜
Asian $ (Sng)	5⅞-6	6¼-6⅜	6-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7½ per cent; four years 7½-8 per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

Sept. 25	Bank of England Index	Morgan Guaranty Change %
Sterling	68.7	−24.2
U.S. Dollar	110.9	+2.4
Canadian Dollar	77.5	−15.0
Austrian Schilling	131.5	+8.6
Belgian Franc	96.7	−6.0
Danish Kroner	88.5	+1.0
Deutsche Mark	140.3	+18.5
Swiss Franc	168.7	+22.9
Guilder	129.3	+12.1
French Franc	69.7	−13.4
Lira	47.5	−16.1
Yen	217.2	+61.3

Morgan Guaranty changes: Average 1980-82=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.834170	0.706671
US $	5½	1.20646	1.02045
Canadian $	8.65	*	1.41820
Austria Sch	4	17.3839	14.7310
Belgian Fr.	8	51.2148	43.3588
Danish Kr.	7	9.34345	7.90835
D'mark	3½	2.46856	2.09511
Guilder	4½	2.79295	2.36557
French Fr.	9½	8.09665	6.85527
Lira	12	N/A	1446.97
Yen	3½	185.915	157.912
Norway Kr.	8	8.93504	7.55375
Span'h Pta.	—	162.690	137.809
Swedish Kr.	8	8.38007	7.09303
Swiss Fr.	4	2.00393	1.69920
Greek Drch	20½	164.208	139.084
Irish Punt	—	N/A	0.762570

* C$/SDR rate for Sept 22: 1.68198

OTHER CURRENCIES

Sept. 25	£	$
Arg'tina	1.5240-1.5295	1.0590-1.0620
Aus'alia	2.2830-2.2870	1.5850-1.5865
Brazil	19.81-19.93	13.77-13.84
Finland	7.1135-7.1260	4.9410-4.9430
Greece	195.80-199.24	134.41-136.68
H'kong	11.2205-11.2310	7.8000-7.8020
Iran	110.60*	76.50*
Kuwait	0.4210-0.4220	0.29290-0.29300
Lux'burg	60.85-60.95	42.40-42.50
Malaysia	3.7715-3.7790	2.6220-2.6250
N'Z'land	2.9980-3.3030	2.0775-2.0845
Saudi Ar.	5.3955-5.4000	3.7495-3.7500
Sin'pore	3.1230-3.1280	2.1710-2.1730
S.Af (Cm)	3.2250-3.2420	2.2475-2.2525
S.Af (Fn)	6.1355-6.4080	4.2555-4.4445
U.A.E.	5.2845-5.2900	3.6725-3.6735

* Selling rate.

FINANCIAL FUTURES

Sad day for gilts

STERLING CONTRACTS failed to gain much advantage from the general strength of US Treasury bonds on the London International Financial Futures Exchange yesterday. Dealers described it as a sad day for gilts, as several factors combined to wipe out early gains, and leave the market weak.

Long term gilts for December delivery opened firm at 111-20, boosted by overnight demand for US bonds. The contract touched a peak of 112-05, but then fell sharply as confidence evaporated. Shortly after the West German Bundesbank announced no cut in its discount rate, the Bank of England intervened as sterling weakened. Lower oil prices added to the general air of gloom, while Wednesday's poor UK trade figures continued to overhang the market, and rumours circulated about the next set of UK money supply figures. As fears grew of a rise in bank base rates December gilts fell to a low of 110-12, and closed at 110-14, compared with 111-03 previously.

Three-month sterling deposits also weakened on interest rate fears.

US bonds opened strong on optimistic remarks about lower US interest rates, made on Wednesday by Mr Henry Kaufman, of Salomon Brothers. A rumour Venezuela was pulling out of Opec — later denied — added support, but profit taking led to late selling, taking the December contract down to close near the day's low at 95-08, against 94-05 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
106	5.19	6.28	—	—	0.55	2.11	—	—
108	3.57	5.14	—	—	1.29	2.80	—	—
110	2.47	4.10	—	—	2.19	3.56	—	—
112	1.53	3.16	—	—	3.25	4.62	—	—
114	1.10	2.32	—	—	4.46	6.14	—	—
116	0.45	1.56	—	—	6.17	7.38	—	—
118	0.25	1.25	—	—	7.61	9.07	—	—
120	0.14	1.01	—	—	9.50	10.47	—	—

Estimated volume total, Calls 150, Puts 2
Previous day's open int, Calls 2,086, Puts 2,930

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
88	7.40	8.06	—	—	0.24	1.48	—	—
90	5.62	6.48	—	—	0.46	2.26	—	—
92	4.31	5.35	—	—	1.15	3.13	—	—
94	3.15	4.31	—	—	1.63	4.09	—	—
96	2.15	3.37	—	—	2.63	5.15	—	—
98	1.30	2.62	—	—	4.14	6.30	—	—
100	0.59	2.12	—	—	5.43	7.54	—	—
102	0.35	1.43	—	—	7.19	9.21	—	—

Previous day's open int, Calls 2,275, Puts 1,965
Volume, —

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
1.30	—	—	13.30	13.30	—	—	0.34	1.99
1.35	8.30	8.30	8.30	8.79	0.06	0.47	1.09	3.57
1.40	3.73	4.16	4.67	6.02	0.67	1.71	2.70	5.80
1.45	1.02	1.72	2.35	3.93	2.96	4.27	5.38	8.71
1.50	0.14	0.54	1.01	2.44	7.08	8.09	9.04	12.22
1.55	0.01	0.13	0.37	1.44	11.95	12.68	13.40	16.22
1.60	0.00	0.02	0.12	0.81	16.94	17.57	18.15	20.59

Estimated volume total, Calls 1,427, Puts 1,338
Previous day's open int, Calls 16,628, Puts 4,708

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
1.40	4.35	5.00	5.40	6.30	0.60	1.70	2.65	4.75
1.45	1.20	2.20	2.80	3.90	2.25	4.05	4.85	7.55
1.50	0.30	0.80	1.30	2.35	6.65	7.70	8.55	10.90
1.55	0.20	0.30	0.60	1.35	11.55	12.20	12.85	14.90
1.60	—	—	0.30	0.80	—	—	17.55	19.20

Estimated volume total, Calls 20, Puts 2
Previous day's open int, Calls 527, Puts 831

PHILADELPHIA £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Oct	Nov	Dec	Mar	Puts—Last Oct	Nov	Dec	Mar
1.30	—	—	13.75	—	—	—	0.30	—
1.35	8.75	—	8.85	9.25	—	—	0.90	2.30
1.40	3.95	4.55	4.90	15.75	0.40	1.45	2.30	4.10
1.45	0.90	2.00	2.50	3.55	2.15	3.60	4.80	6.80
1.50	0.10	0.55	1.00	2.05	6.45	7.45	8.20	10.50
1.55	—	0.15	0.30	1.05	11.05	11.70	12.40	14.30
1.60	—	0.05	0.10	0.55	16.05	16.40	17.05	18.60

Previous day's open int, Calls 35,355, Puts 41,752
Previous day's volume, Calls 1,645, Puts 847

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
93.00	1.04	1.02	0.91	—	0.01	0.09	0.22	—
93.25	0.81	0.81	0.73	—	0.03	0.13	0.29	—
93.50	0.59	0.63	0.57	—	0.06	0.20	0.38	—
93.75	0.40	0.46	0.43	—	0.12	0.28	0.49	—
94.00	0.24	0.33	0.31	—	0.21	0.40	0.62	—
94.25	0.13	0.21	0.22	—	0.35	0.53	0.78	—
94.50	0.06	0.13	—	—	0.53	0.70	—	—

Previous day's open int, Calls 1,159, Puts 1,295
Estimated volume, Calls 20, Puts 134

LONDON

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Sept	96-08	96-45	96-31	96-35
Dec	96-03	96-40	96-24	96-32
March	96-03	—	—	96-32

Estimated volume 520 (161)
Previous day's open int. 1,498 (1,480)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Dec	88.97	89.35	88.96	89.20
March	89.16	89.48	89.15	89.36
June	89.37	89.63	89.40	89.50
Sept	89.37	89.55	89.53	89.50
Dec	89.24	—	—	89.37
March	89.03	—	—	89.16

Estimated volume 6,790 (9,362)
Previous day's open int. 13,845 (13,288)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	157.55	160.30	157.55	160.60
Dec	160.25	160.40	160.25	163.00
March	163.25	—	—	166.09

Estimated volume 1,089 (628)
Previous day's open int. 2,322 (2,324)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	94.03	94.07	93.98	93.90
March	93.93	93.98	93.88	93.79
June	93.69	93.75	93.65	93.57
Sept	93.36	93.40	93.30	93.25
Dec	92.98	—	—	92.87
March	92.60	92.54	92.50	92.49

Estimated volume 5,689 (2,610)
Previous day's open int. 23,788 (23,372)

US TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	95-08	96-02	95-06	94-05
March	94-11	—	—	93-06

Estimated volume 6,950 (5,623)
Previous day's open int. 5,782 (5,952)

20-YEAR 12% NOTIONAL GILT
32nds of 100%

	Close	High	Low	Prev
Sept	110-11	—	—	111-00
Dec	110-14	112-05	110-12	111-03
March	110-09	—	—	110-30
June	110-09	—	—	110-30

Estimated volume 14,919 (19,330)
Previous day's open int. 14,190 (13,963)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

CHICAGO

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	94.78	94.83	94.76	94.78
March	94.75	94.79	94.75	94.78
June	94.58	94.62	94.57	94.74
Sept	—	—	—	94.54
Dec	93.91	93.95	93.91	94.24
March	93.55	93.60	93.55	93.86
June	—	—	—	93.52
Sept	94.27	94.32	94.27	93.17

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Dec	94.02	94.07	94.00	94.01
March	93.91	93.98	93.91	93.89
June	93.68	93.75	93.67	93.64
Sept	93.32	93.39	93.31	93.29
Dec	92.91	93.01	92.91	92.89
March	92.52	92.60	92.52	92.49
June	92.14	92.21	92.14	92.11
Sept	91.78	91.85	91.78	91.74

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	95-18	96-09	95-15	95-21
March	94-19	95-10	94-19	94-23
June	93-20	94-10	93-20	93-22
Sept	92-24	93-09	92-24	92-26
Dec	91-31	92-17	91-31	91-31
March	91-06	91-24	91-06	91-06
June	90-16	90-31	90-16	90-16
Sept	89-28	90-02	89-28	89-28
Dec	—	—	—	89-10
March	—	—	—	88-26
June	—	—	—	88-12

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	94.32
Dec	—	—	—	94.36

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4350	1.4306	1.4196	1.4033	1.3737

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4236	1.4326	1.4225	1.4330
March	1.4080	1.4135	1.4080	1.4175
June	1.3970	—	1.3970	1.4040

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4197	1.4230	1.4230	1.4340
March	1.4022	—	—	1.4180
June	1.3876	—	—	1.4040

Estimated volume 1 (13)
Previous day's open int. 928 (932)

STERLING INDEX

	Sept 25	Previous
8.30 am	69.4	69.5
9.00 am	69.4	69.6
10.00 am	69.4	69.7
11.00 am	69.4	69.6
Noon	69.3	69.3
1.00 pm	69.4	69.3
2.00 pm	69.2	69.3
3.00 pm	69.1	69.3
4.00 pm	68.7	69.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3582	+0.57	+0.80	±1.5368
Danish Krone	7.81701	7.90835	+1.17	+1.40	±1.6403
German D-mark	2.11083	2.09311	−0.84	−0.61	±1.1127
French Franc	6.87316	6.85527	−0.26	−0.03	±1.3659
Dutch Guilder	2.37833	2.36557	−0.54	−0.31	±1.5069
Irish Punt	0.764976	0.762370	−0.34	−0.11	±1.6683
Italian Lira	1476.95	1446.97	−2.03	−2.03	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Company Notices

Compagnie Generale Des Etablissements Michelin
Michelin et Cie
FFr 500,000,000
7½% Convertible Bonds due 2000
Notice to Bondholders

Michelin hereby gives notice that following a distribution of bonus shares paid up by incorporation of reserves in the capital of the company and pursuant to article 6 (H) (III) of the "description of the bonds", the conversion rate of the bonds has been adjusted. The new adjusted conversion rate is 4.42 "B" shares for one bond.

European Investment Bank
EUROPEAN INVESTMENT BANK
30,000,000
European Composite Units
8½% Bonds of 1973, due 1988

Notice is hereby given that the amount per coupon no. 13 due on September 27, 1986 has been fixed at DM 186.528 and the redemption price at DM 2227.21 per bond.

In the case of coupons or bonds in respect of which a valid selection of the US Dollar has been made, the coupon amount is US$91.161 and the redemption price US$1088.49 per bond.

European Investment Bank

$WORLD VALUE OF THE DOLLAR
BANK OF AMERICA NT & SA, LONDON DEALING ROOM.

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 24, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of September 24, at 11.00 a.m.
3 months: 6⅛ — 6 months: 6⅛

ECU=$US1.02432 — SDR1=$US1.20855
Sibor as of September 24, at 11.00 a.m.
3 months: 6⅛ — 6 months: 6⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.9321
Algeria	Dinar	4.63
Andorra	French Franc	6.693
	Spanish Peseta	134.15
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (2)	1.061
Aruba	Florin	1.80
Australia	Dollar	1.5893
Austria	Schilling	14.365
Azores	Portuguese Escudo	147.58
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Islands	Spanish Peseta	134.15
Bangladesh	Taka	30.90
Barbados	Dollar	2.0113
Belgium	Franc (c)	42.35
	Franc (f)	42.72
Belize	Dollar	2.00
Benin	C.F.A. Franc	334.65
Bermuda	Dollar	1.00
Bhutan	Ngultrum	12.71
Bolivia	Peso (o)	1912000.00
	Peso (f)	1925000.00
Botswana	Pula	1.8591
Brazil	Cruzado (o)	13.84
Brunei	Dollar	2.173
Bulgaria	Lev	0.926
[illegible]	[illegible]	[illegible]
Denmark	Krone	7.708
Djibouti Rep. of	Franc	177.00
Dominica	E. Caribbean $	2.70
Dominican Republic	Peso	2.985
	Peso (d)	2.985
Ecuador	Sucre (d)	141.30
	Sucre (f)	150.50
Egypt	Pound (o)	0.70
	Pound (b)	1.35
El Salvador	Colon	2.50
	Colon (d)	5.00
Equatorial Guinea	C.F.A. Franc	334.65
Ethiopia	Birr (o)	2.059
Faeroe Islands	Danish Krone	7.708
Falkland Islands	Pound*	1.457
Fiji	Dollar	1.1689
Finland	Markka	4.919
France	Franc	6.693
French C'ty in Africa	C.F.A. Franc	334.65
French Guiana	Franc	6.693
French Pacific Islands	C.F.P. Franc	121.691
Gabon	C.F.A. Franc	334.65
Gambia	Dalasi	7.58
Germany (East)	Ostmark (o)	2.046
Germany (West)	Deutsche Mark	2.046
Ghana	Cedi (5)	128.00
Gibraltar	Pound*	1.475
Greece	Drachma	[illegible]
Greenland	Danish Krone	[illegible]
Grenada	E. Caribbean $	[illegible]
Guadeloupe	Franc	[illegible]
Guam	U.S. $	[illegible]
Guatemala	Quetzal (o)	[illegible]
	Quetzal (b, f)	[illegible]
Guinea Bissau	Peso	[illegible]
Guinea Republic	Franc	[illegible]
	Franc (f)	[illegible]
Cayman	Dollar	[illegible]
Haiti	Gourde	[illegible]
Honduras Republic	Lempira	[illegible]
	Lempira (d)	[illegible]
Hong Kong	Dollar	[illegible]
Hungary	Forint (6)	[illegible]
Iceland	Krona	[illegible]
India	Rupee	[illegible]
Indonesia	Rupiah (4)	[illegible]
Iran	Rial (o)	[illegible]
Iraq	Dinar	[illegible]
Irish Republic	Punt*	[illegible]
Israel	New Shekel	[illegible]
Italy	Lira	[illegible]
Jamaica	Dollar (o)	[illegible]
Japan	Yen	[illegible]
Jordan	Dinar	[illegible]
[illegible]	[illegible]	[illegible]
Malta	Lira*	[illegible]
Martinique	Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	Rupee	[illegible]
Mexico	Peso (d)	[illegible]
	Peso (o)	[illegible]
Miquelon	French Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik (o)	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S. A. Rand	[illegible]
Nauru Islands	Australian Dollar	[illegible]
Nepal	Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherlands Antilles	Guilder	[illegible]
New Zealand	Dollar	[illegible]
Nicaragua	Cordoba	[illegible]
	Cordoba (d)	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Krone	[illegible]
Oman Sultanate of	Rial	[illegible]
Pakistan	Rupee	[illegible]
Panama	Balboa	[illegible]
[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate *U.S. dollars per National Currency unit. (b) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (k) Agricultural products. (l) Priority Rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Argentina, 1 Sep 86: Zloty devalued by approx 19.39%. (4) Indonesia, 12 Sep 86: Rupiah devalued by approx. 31.02%. (6) Hungary, 23 Sep 86: Forint devalued by approx. 9%. (7) Paraguay 24 Sep 86: [illegible]

For further information please contact your local branch of the Bank of America.

MONEY MARKETS

Firm Bundesbank leaves London weak

THE WEST German Bundesbank council left credit policies unchanged at yesterday's meeting, with the discount rate remaining at 3.5 per cent and the Lombard rate at 5.5 per cent.

Mr Karl Otto Poehl, Bundesbank president, delayed his departure to the weekend gathering of central bankers and finance ministers in Washington, in order to chair the council meeting, but dealers were not surprised that the West German authorities continued to withstand US pressure for lower interest rates. Strong economic growth and above target money supply have made the Bundesbank reluctant to ease its credit policies, but yesterday there were signs that the strong D-Mark is leading to a decline in West German exports. These fell 6.9 per cent in August, as the monthly trade surplus narrowed to DM 8.3bn from DM 10.9bn in July. The current account surplus narrowed to DM 5bn in August from a revised DM 5.9bn.

In Frankfurt call money rose to 4.40 per cent from 4.225 per cent. It was suggested that the easier conditions on Wednesday reflected sales of D-Marks by the Bank of England and Bank of France, with this money finding its way back into the domestic money market.

In London sentiment worsened and short term rates rose on news the Bundesbank was not cutting its discount rate. Three-month interbank rose to 10⅛-10¼ per cent from 10⅛-10⅛ per cent, in very nervous trading. As sterling fell to further record lows on the foreign exchanges dealers began to seriously fear an early rise in bank base rates.

The Bank of England forecast a flat credit position on the money market, but provided help of around £70m, through late assistance.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £130m, with a rise in the note circulation absorbing £20m. These were roughly balanced by Exchequer transactions adding £100m to liquidity and bank balances above target by £60m.

In Paris the Bank of France announced an offer of FFr 7.5bn of negotiable Treasury bills for tender next Tuesday. A total of FFr 3bn of 13-week Treasury bills will be auctioned and FFr 4.5bn of 24-week bills.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	7½
Broker loan rate	6¾-7
Fed funds	5⅞
Fed funds at intervention	5⅞
Treasury Bills & Bonds	
One month	5.12
Two month	5.25
Three month	5.37
Six month	5.59
One year	5.74
Two year	6.39
Three year	6.63
Four year	6.86
Five year	6.87
Seven year	7.29
10 year	7.46
30 year	7.84

FT LONDON INTERBANK FIXING
(11.00 a.m. September 25)

Three months US dollars		Six months US dollars	
bid 5⅞	Offer 6 1/16	bid 5⅞	Offer 6 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Sept. 25	Ov'rnig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'n
Frankfurt	4.35-4.45	4.45-4.60	4.45-4.60	4.45-4.60	4.60-4.65	5.5
Paris	7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	7⅛-1⅛	3⅞-4	—	4-4⅛	—	—
Amsterdam	5⅛-5⅛	5⅛-5⅜	—	5¼-5⅜	—	—
Tokyo	4.71875	4.96875	—	4.78125	—	—
Milan	10⅞-11¼	10¾-11⅛	—	10¾-11⅛	—	—
Brussels	6.50	7¼-7⅜	—	7¼-7⅜	—	—
Dublin	9⅛-9⅜	10-10¼	10¼-10⅛	10⅛-10⅜	11-11⅛	—

LONDON MONEY RATES

September 25	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-9½	9-9½	9⅞-10	10⅛-10⅛	10⅛-10⅜	9⅝-11
Sterling CDs	—	—	9⅞-9⅞	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Local Authority Depos	8¾-9⅛	9¼-9½	9⅜-9¾	10⅛-10⅛	10⅛-10⅛	10⅝-
Local Authority Bonds	—	—	10⅛	10⅝	11	11⅛
Discount Mkt. Depos	8-9	9-9⅛	9¾	9¾	—	—
Company Depos	8-10¾	9-9⅞	9⅞-10	10¼	10⅞	10¾
Finance House Depos	—	—	9¾	10⅛	10⅝	10⅛
Treasury Bills (Buy)	—	—	9¾	10	—	—
Bank Bills (Buy)	—	—	9¾-9⅞	10⅛-10⅛	10⅛	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	10¼	—
Dollar CDs	—	—	5.95-6.00	5.80-5.85	58.0-5.85	6.05-6.10
SDR Linked Depos	—	—	6⅛-6⅜	6⅛-6⅛	6⅛-6⅛	6⅛-6⅜
ECU Depos	—	—	7⅛-7⅛	7⅛-7⅛	7⅛-7¼	7⅛-7¼

Treasury Bills (sell): one month 9¾ per cent, three months 9⅞ per cent. Bank Bills (sell): one month 9⅞-9⅞ per cent; three months 9⅞-9⅞ per cent. Treasury Bills: Average tender rate at discount 9.8865 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10⅛ per cent; nine-12 months 10⅛ per cent. Under £100,000 9½ per cent from September 23. Deposits held under Series 5 10⅛ per cent. Deposits withdrawn for cash 5½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
77	32	Copson (F.) 5p	62xd		1.75	1.3	4.0	27.6
588	452½	Costain Group	508xd	–8	†17.0	2.5	4.7	9.9
483	296	Countryside Props	475		†5.74	5.1	1.7	12.0
183	124	Crouch (D.) 20p	154xd		†5.93	2.3	5.4	11.2
122	84	Dew (George) 25p	114	–2	[illegible]	1.2	7.4	16.1
138	75	Douglas (Robt. M)	122xd	–4	2.25	2.0	2.6	23.8
24	18½	Dunton Group 5p	19		†0.24	4.3	1.8	14.6
160	100	ERC 50p	115		††5.72	2.5	7.0	8.0
108	63	Erith	108		3.5	1.6	4.3	19.9
165	106	Fairbriar 10p	160	+2	4.0	2.9	3.5	13.8
97	77	Feb. Intl. 10p	80		1.78	—	3.1	—
71	54	Do. 'A' 10p	63		1.78	—	4.0	—
172	51	Federated Housing 5p	116xd		13.5	3.0	4.0	11.7
70	56	Fenlan Group 10p	78		a3.04	♦	7.4	♦
93	79	Galliford 5p	87	–2	4.4	1.5	7.1	13.5
49	27	Gibbs Dandy A 10p	49		1.8	3.0	5.2	9.0
385	254	Gleeson (M.J.) 10p	360	–3	†5.37	5.4	2.1	12.4
142	86	HAT Group 10p	138	+2	††5.25	1.8	5.4	13.9
280	56	Helical Bar	278		—	—	—	—
258	195	Henderson Group	215		7.0	1.9	4.6	13.6
80	44	Hewden-Stuart 10p	67		1.7	3.0	3.6	11.8
£216	£130	Do. 10pcLn. 03-08	£184	–1	Q10%	—	5.5	—
250	134	Heywood Williams	288		††6.75	2.0	4.8	12.9
645	430	Higgs & Hill	627	–3	13.6	2.7	3.1	15.2
45	29	Howard Shut 10p	43xd		1.4	♦	4.6	♦
196	127	Ibstock Johnsen	174	–2	94.8	2.5	3.9	13.1
115	40	Int'l Ance Cpn	57		—	—	—	—
460	270	Jarvis (J.)	440		10.0	♦	3.3	♦

For Jayplant see Randsworth Tst

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
115	70	Jennings A$.50	80	+5	Q20%	2.1	5.2	9.2
120	75	Johnstone Pts. 10p	105	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
78½	45	Mitchell Cotts	47½	+1	4.25	1.5	12.6	(6.7)
124	81	[illegible] 10p	120	+2	L2.7	2.9	3.2	14.7
317	210	Morgan Crucible	258	–2	18.5	1.5	4.7	16.9
23½	15½	Morris (W) F.A. 20p	19½	–3	—	—	—	—
152	65	[illegible] Grp 10p	146	–2	12.65	2.6	2.6	18.7
365	279	[illegible] Computers	280		6.0	3.0	3.0	16.1
66	27	Nash Inds	56	–7	10.5	—	1.3	—
399	267	[illegible]	310	–2	9.1	2.2	4.2	14.7
134	65	[illegible] 10p	119	–2	0.7	4.5	0.8	39.1
65	39	[illegible]	44	+4	10.95	7.0	3.0	6.3
150	96	[illegible] Systems 5p	145xd	+5	1.5	—	1.5	18.6
286	187	Norcros	215	–11	9.3	2.2	6.1	10.3
180	49	Nu-Swift 5p	158	+1	3.5	2.1	3.1	21.2
118	60	Oakwood Grp	83	–2	5.0	1.3	‡	11.5
250	205	Office & Elect	220		8.5	2.9	5.5	8.8
183	70	[illegible] 20p	175		5.0	♦	4.1	♦
36	22	Optometrics $0.01	25	+3	—	—	—	—
142	85	PCT Grp 10p	130xd	+3	4.2	—	5.6	—
195	114	PSM Intl	187	–1	5.5	2.1	4.1	14.2
78	53	Pacific Sales 10p	55xd	–5	3.0	♦	8.0	♦
608	393	Pearson	520xd	–2	10.0	2.8	2.7	17.2
27	12	Peek Holdings 5p	26	+1	—	—	—	—
145	88	Peerless	137		6.3	1.5	6.5	(12.3)
475	315	Pilkington Br. £1	423	–9	13.5	2.7	4.5	(9.2)
96	52	Plastic Const. 10p	74		2.8	2.5	5.3	10.4

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

" Recent Issues " and " Rights " Page 35 (International Edition Page 27)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £825 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3

*"New-time" dealings may take place from 9.30 am two business days earlier.

Fresh sterling weakness arouses anxieties and FT-SE index falls 27.5 to 1575.9

The continued weakness of sterling gave rise to fresh anxieties as London financial markets yesterday sought to cope with a pessimistic press on August's record trade deficit. Fears gathered that the authorities would be forced to allow a rise in bank base rates in order to defend the pound, which was supported by the Bank of England for the third day running.

Leading equities were especially vulnerable and retreated from the moment business opened. Persistent small sales from nervous holders found institutional operators reluctant to buy stock and many private investors unable to because of a shortage of funds. Dealers were in no frame of mind to increase adequate book positions and the market became weighed down by only a light selling pressure.

Midday news that the Bundesbank was leaving its credit policies unchanged turned the retreat into a rout, although the German decision to hold rates was not a surprise. Sterling soon began to twitch nervously and the exchange rate index slipped to close at another all-time low of 68.7. Investors became even more despondent after Wall Street's sharp early setback yeterday and the FT indices scurried lower to settle at the session's lowest. The FT-SE 100-share fell 27.5 to 1575.9 and the FT Ordinary share 22.2 to 1242.3.

A brave attempt by the Gilt-edged sector to recover from a series of disasters ended in failure. The longs regained ½ or so of Wednesday's falls of two points within minutes of the opening, but demand faded and prices started to ease back. For some considerable time the tone was stable and the market showed little sign of the previous session's tension. Nervousness returned, however, following the late events in forex markets and all Gilts succumbed.

Long and shorter maturities sustained fresh net losses ranging to ¾ as interest rate possibilities took precedent over all other factors. Little comfort was drawn from the impending meetings of ministers and international bankers in Washington. Treasury 11¾ per cent 2003/07 provided a good example of the day's fluctuation, rising to 110 before closing a net ⅝ lower at 108¾. Index-linked Gilts followed conventional stocks down.

Bank of Scotland up

Bank of Scotland rose 13 more for a two-day advance of 25 at 448p following comment on the excellent interim figures. The mood elsewhere in the bank sector was sombre, however, with the major clearers drifting lower on technical considerations. Barclays ended 9 off at 478p and Lloyds relinquished 8 at 435p, while NatWest ended 6 down at 537p and Midland 5 lower at 562p. Among merchant banks, profit-taking in the absence of the widely-rumoured overseas bid left English Trust 7 down at 148p. Persistent small offerings and lack of support prompted a fall of 10 to 475p in Kleinwort Benson and a decline of 15 to 290p in Mercury International.

Closing falls among Composites ranged to 25. Royals ended that much cheaper at 792p, while General Accident dipped 15 at 805p and Sun Alliance relinquished 10 at 669p. GRE were 7 easier at 777p.

Group Development Capital Trust failed to reach the issue price level of 30p, trading at a small discount throughout first-time dealings to close at 28p.

Breweries displayed some sizeable losses, although selected issues improved a shade after-hours. Bass dipped 20 to 705p, while Allied-Lyons gave up 5 to 300p, after 298p. Among Regionals, Belhaven encountered fresh offerings and fell 4 more to 76p, but persistent speculative demand coupled with "call" option activity lifted perennial takeover favourite Buckleys 12 to 113p.

Blue Circle, which were supported up to 573p earlier in the week amid rumours of a possible bid from either Robert Holmes à Court or Alan Bond of Australia, plummeted to 538p at one stage yesterday on revived fears of cheap Greek cement imports, but later rallies martly to close a volatile session 12 lower on balance at 551p. Rugby Portland Cement fell 9 to 157p in sympathy and RMC cheapened a couple of pence to 632p despite the better than expected interim figures. Housebuilder Barratt Developments encountered *profit-taking* after the previous day's good rise on the bumper annual results and closed a couple of pence off at 156p, after 154p, while George Wimpey reacted from an initial firm level of 210p to finish 7 down at 201p; the good interim figures had already been well discounted by the market. BPB Industries, at 462p, and Tarmac, at 440p, lost 13 and 12 respectively, while Costain shed 8 to 506p as did Magnet and Southerns, at 186p. Aberdeen Construction gave up 5 to a new low of 215p following the half-year figures. Against the trend, Attwoods moved up 5 at 207p.

ICI typified the general quietly dull trend, closing ⅛ easier at £10¾ on lack of support. Elsewhere in Chemicals, Amersham were favoured at 402p, up 7.

Stores under pressure

Leading high street Retailers continued to bear the brunt of selling on dearer money worries. Double-figure losses were commonplace and dealers were pessimistic over the sector's short-term performance. Burton were hardest-hit, falling 12 to 286p, while falls of 10 were noted for Woolworth, 620p and Dixons, 344p. Marks and Spencer shed 5 more to 192p. Combined English also lost 10, to 225p, despite revealing interim profits above most market estimates; the company is to pay just under £19m for Time Products' retail operation Weir Jewellery which has over 100 outlets. The latter, which also announced first-half figures yesterday, touched 81p but later reverted to unchanged at 78p. Elsewhere, a steady stream of company trading statements enlivened a dull session among secondary Stores. Interim results from Superdrug were deemed slightly disappointing and the close was 5 off at 455p. Bentalls held at 128p, after 125p, the interim profits setback being countered by the increased dividend.

Leading Electricals followed the weaker trend, Plessey reacting 8 to 164p and GEC 6 to 164p. Among secondary issues, Brown Boveri Kent eased 3 to 100p following the half-year results and proposed £9.1m rights issue, but Druck Holdings advanced 13 to 433p in response to news of the contract valued at over £300,000 from British Aerospace for the supply of air data equipment associated with the Tornado aircraft. Late speculative activity left USM-quoted Telecomputing 23 higher at 173p, while Dowding and Mills hardened a couple of pence in response to the results and Philcom improved 2 to 23p on Press mention. VG Instruments, in contrast, fell 20 to 280p, while Wholesale Fittings lost 15 to 280p in a limited market.

Lack of support and occasional selling made for a drab trading session in Engineers. Resisting the trend, speculative activity left Birmingham Mint 12 higher at 182p and Hopkinsons 10 to the good at 280p. Mellins, reflecting news of the £6m Japanese contract, put on a few pence to 176p. In contrast, TI remained on offer at 426p, down 8, while GKN were particularly dull in the leaders and closed 10 down at a new "low" for the year of 254p. Hawker gave up 8 at 455p.

A mixed trend was apparent in the Food sector after a quiet session. Dee Corporation, an unsettled market of late following a broker's profits downgrading, lost 8 afresh to 240p while Kwik Save closed the same amount easier at 252p. Tate and Lyle came on offer at 596p, down 10, and Rowntree Mackintosh declined 7 at 398p. Semportex, on the other hand, attracted renewed speculative support and rose a further 7 to 237p and Watson and Philip put on 9 to 156p *for the* same reason. Iceland Frozen Foods advanced 25 at 570p.

Grand Metropolitan were a lot quieter after the previous day's activity created by the company's revelation that it is close to agreeing the sale of its US cigarettes and tobacco subsidiary Liggett, and the close was 3 easier at 405p, after 403p.

Pentland up late

Pentland featured a late gain of 15 to 450p following the bullish forecasts made to American analysts by the chairman of Reebok; Pentland has a 37 per cent stake in Reebok. Movements elsewhere among miscellaneous industrials were usually against holders. Glaxo, partly reflecting US infuences, gave up 22 to 930p. Beecham eased 8 to 393p, BTR fell 7 to 291p, and Pilkington gave up 9 to 423p. Appledore, a good market of late on bid hopes, reacted 20 to 210p in a restricted market. Steetley remained on offer after the interim figures and dipped 16 more to 467p, while Siebe, depressed by recent acquisition news and the proposed £225m rights issue, fell 15 more to 755p. Nash Industries, at 56p, gave up 7 of the previous day's gain of 23 which followed news of Mr D. C. Newton's 15.85 per cent stake and his appointment to the board. Falls of around 10 were recorded in English China Clays, 306p, Wolseley, 550p, and Smiths Industries, 246p. Further profit-taking clipped 4 more from Wellcome at 196p, while Times Veneer eased 3 to 54p on the announcement that Swissville Investment had reduced its stake in the company. Sandhurst Marketing, 69p, and Noble and Lund, 118p, both closed a few pence lower following trading statements.

The Leisure sector *provided* the only firm area of the quity market *yesterday when television issues* jumped sharply in response to the bumper half-year figures announced by Central Independent; the latter soared 20 to a new peak of 345p on news of the more-than-doubled first-half profits and proposed enfranchisement of the non-voting shares, while rises of 15 and 17 respectively were recorded by LWT, 395p, and HTV N/V, 240p. Anglia TV "A" rose 9 at 282p and TVS N/V added 8 at 240p, while Scottish TV appreciated 7 at 335p. Elsewhere, Campari reflected revived speculative support with an improvement of 3 at 50p, Leisure Investment rose 4 at 49p.

News of the substantial first-half loss and boardroom shake-up left Rover a couple of pence lower at 28p. Sellers held sway in Jaguar which shed 8 for a two-day decline of 18 to 515p. Components also lacked support. Worries of imminent industrial disruption overshadowed Lucas, finally 11 lower at 487p. AE fell 5 to 203p, while Dowty gave up a similar amount to 200p.

United Newspapers provided an outstanding feature among otherwise dull Publishrs, rising 25 to 370p, after 373p, following interim profits some £3m above general expectations and the encouraging tenor of th chairman's accompanying statement. Elsewhere interest centred on McCorquodale which hardened a few pence to 265p, following Monopolies Commission clearance on Wednesday, Norton Opax has renewed its offensive on the printing group with a share-exchange offer described as "final." Norton Opax fell 12 to 133p. The increased annual profits and dividend failed to sustain Ferry Pickering, finally 15 cheaper at 180p, while Eucalyptus Pulp were marked 10 lower to 520p after the interim profits setback.

Advertising agencies and related concerns gave ground across the board. Sentiment received a sharp jolt late in the session following acutely disappointing interim results from London and Continental which slumped 25 to 58p in reaction to the substantial deficit and passed dividend. Charles Barker continued to react to interim profits below estimates and fell 5 more to a new low at 128p. WCRS, 510, and Boase Massimi Pollitt, 274p, dipped 15 and respectively.

Fears that the latest slide in sterling could trigger a round of base-rate rises unsettled leading Properties where MEPC fell 6 to 317p and losses of around 3 were common to British Land, 159p, and Land Securities, 313p.

Property Trust changed hands at 6¾p prior to being suspended at the company's request pending an announcement regarding acquisitions and a capital re-organisation. Connells Estate Agents, which recently announced sharply higher interim profits and a doubled interim dividend, continued to reflect profit-taking and ran back *12 to 273p.*

Tootal dipped a cuople of pence to 93½p following the uninspiring mid-term statement. Other Textiles trended lower as recent specultaive support evaporated. Lister eased 4 to 115p, while SEET shed 7 to 133p.

Despite announcing preliminary results in excess of analyst's estimates, MAI encountered occasional selling and closed 10 off at 385p. Other financial services concerns gave ground with International City 10 cheaper at 163p and Mercantile House 5 down at 258p.

Britoil Weak

Britoil were the major casualty in a generally depressed oil sector and dropped 13 to 112p following reports of a sell recommendation from brokers James Capel. The oil majors made progress during the morning, still buoyed by US arbitrage interest, but fell back sharply late in the day as Wall Street retreated. BP closed 16 off at 661p and Shell, which touched 920p around midday, fell back to end at 903p, a net fall of 14. LASMO, which on Tuesday annouced a steep fall in half-year profits and omitted the interim dividend, lost 7 to 108p. IC Gas, on th other hand, remained a firm market on persistent talk that a predator has built up a stake of 10 per cent, and edged up 3 to 488p.

Berkeley Exploration moved up 2 to 30p on news that Morgan Grenfell has purchased the near-5m shares held by Charterhouse Petroleum thereby increasing its holding in Berkeley to 20.47 per cent.

A further disappointing performance by precious metals prices prompted yet another retreat by South African sectors of mining markets. Bullion opened on a reasonably steady note around $434.5 but gradually fell away to touch $429 during the afternoon before closing a net 3.875 easier at $431.125 an ounce.

South African Golds did *little* more than drift easier all day. Dealers reported persistent small selling from Johannesburg and the Continent prior to midday but this petered out as the session wore on a bullion picked up from the day's lowest levels. The sharp fall in sterling cushioned losses in Golds to a certain extent and the Gold Mines index dipped 2.9 to 336.2, extending the fall over the past three days to one of 21.6.

A widespread advance to record levels by "down-under" markets overnight and the steep decline in the *sterling/Australian* dollar rate produced strong gains throughout Australians.

Traded Options

Another poor performance by London equities served to stimulate increased demand for put positions. Total contracts recorded in Traded Options amounted to 19,667 of which 9,584 were *puts*. Marks and Spencer *and* Allied-Lyons provided the best illustrations of the trend, recording 1,634 and 1,258 puts respectively. Among the livelier classes on the call front, Consolidated Gold Fields attracted 1,113 trades, while a similar business developed in British Telecom. The FT-SE 100 index contributed 1,170 calls and 1,026 puts.

Traditional Options

- **First Dealings** Sept 22 Oct 6 Oct 20
- **Last Dealings** Oct 3 Oct 17 Oct 31
- **Last Declaration** Dec 18 Jan 8 Jan 22
- **For Settlement** Dec 29 Jan 19 Feb 2

For rate indications see end of Unit Trust Service

Money was given for the call of North Kalgurli, J. Hewitt (Fenton), East Rand Consolidated, MY Holdings, Exco International, Amstrad, Imperial Continental Gas, Buckleys Brewery, Astra Industrial, Helical Bar, Common Bros, Armour Trust, Barker and Dobson, Johnson and Firth Brown, Pancontinental, Cronite and Coronation Syndicate. A put was taken out in Barlow Rand, while a double was transacted in North Kalgurli.

FINANCIAL TIMES STOCK INDICES

	Sept 25	Sept 24	Sept 23	Sept 22	Sept 19	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	83.06	83.35	84.51	83.98	84.28	84.06	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.68	90.92	91.24	91.12	91.11	89.20	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,242.3	1,264.5	1,271.9	1,282.8	1,269.1	979.1	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	336.2	339.1	344.8	357.8	331.2	301.5	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.45	4.38	4.35	4.32	4.35	4.86				
Earnings Yld.%(full)	10.23	10.07	10.01	9.94	10.02	11.92				
P/E Ratio (net) (*)	11.98	12.18	12.25	12.34	12.24	10.39				
Total Bargains (Est)	20,860	21,034	18,041	18,289	17,149	20,015				
Equity Turnover £m.	—	487.36	525.55	377.38	510.99	380.83				
Equity Bargains	—	17,114	21,304	12,760	16,190	18,309				
Shares Traded (ml).	—	223.4	233.1	170.3	228.2	185.4				

S.E. ACTIVITY

Indices	Sept. 24	Sept. 23
Gilt Edged Bargains	138.1	134.9
Equity Bargains	110.9	138.0
Equity Value	985.1	1062.3
5-Day Average		
Gilt Edged Bargains	124.1	120.3
Equity Bargains	109.0	109.1
Equity Value	995.4	1014.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1263.1	1258.7	1254.1	1249.4	1249.7	1249.2	1248.3	1246.1

Day's High 1263.1. Day's Low 1242.3.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.50.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bank of Scotland	448	+13	HAT Group	138	+ 2
Barratt Developments	156	− 2	Jaguar	515	− 8
Benlox	43	—	Laing (John)	384	− 4
Coats Viyella	482	− 8	RMC	632	− 2
Commercial Union	278	− 1	Royal Insurance	792	−25
Dee Corp.	240	− 8	Wimpey (George)	201	− 7

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed's. close	Day's change	Stock	No. of changes	Wed's. close	Day's change
Barratt Devs.	20	158	+12	Allied Irish Bk.	11	213	− 2
BAT Inds.	15	453	+13	Jaguar	11	523	−10
McCorquodale	15	258	+13	ICI	10	£10⅞	− ⅛
Glaxo	14	952	−13	LASMO	10	115	+ 5
Grand Met.	13	408	—	Prudential	10	818	−12
Wellcome	12	200	−10	Shell Trans.	10	917	+ 7

†Charge based on price at suspension.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	99	13
Corporations, Dom., and Foreign Bonds	1	16	52
Industrials	197	528	798
Financial & Properties	106	133	336
Oils	22	30	62
Plantations	5	1	8
Mines	45	55	85
Others	78	45	74
Totals	455	907	1,428

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (39)

AMERICANS (2) Amdahl, Texaco. BREWERIES (1) Buckley's Brw. BUILDINGS (1) Warrington (Thos). STORES (1) Ladies Pride. ELECTRICALS (1) Zygal Dynamics. ENGINEERING (2) Atlas Converting Equipment, Carclo Eng. FOODS (1) Semportex. INDUSTRIALS (4) Bluebird Toys, Jardine Hldgs, Restmor, Swire Pacific A. LEISURE (8) Anglia TV A, Central TV N/V, HTV N/V, LWT, Leisure Inv, TSW, Thames TV, Ulster TV N/V A. PAPER [illegible]

NEW LOWS (45)

BRITISH FUNDS (5) Conversion 10pc 1996, Conversion 9pc 2000, Conversion 9½pc 2006, Treasury 8½pc 2007, Treasury 8pc 2009. LOANS (3) National Bldgs Soc 10⅛pc 6.4.87, Do 9⅞pc 18.5.87, Do 9 11/16pc 15.6.87. BANKS (3) Mercury Intl, Do 6pc A Cnv Prf, Morgan Grenfell. BUILDINGS (2) Aberdeen Construction, Lilley (F. J. C.). STORES (3) Bentalls, Gent (S. R.), Goodman Bros. ELECTRICALS (6) Circaprint, Dubilier, Holmes Protection, Murray Electronics, PPL, Unitech. ENGINEERING (4) GKN, Laird Group, Neill [illegible]

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday September 25 1986

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds Sept 24 Index No.	Tues Sept 23 Index No.	Mon Sept 22 Index No.	Year ago (approx.) Index No.
1–66	[illegible]										
67	Insurance (Brokers) (9)	1184.53	−1.8	8.30	4.37	15.75	24.81	1196.45	1197.96	1184.60	1088.41
68	Merchant Banks (12)	323.98	−1.7	—	4.42	—	5.37	329.57	333.65	335.41	240.15
69	Property (49)	752.56	—	5.92	3.71	22.27	12.71	752.53	750.37	751.66	661.83
70	Other Financial (24)	339.57	−0.6	9.10	4.66	13.37	7.85	341.47	342.12	342.15	276.35
71	Investment Trusts (101)	778.57	+0.2	—	2.96	—	12.70	776.86	776.43	771.21	573.92
81	Mining Finance (2)	295.88	−0.8	10.87	5.42	10.81	6.11	298.32	298.93	300.61	250.37
91	Overseas Traders (14)	669.54	−0.3	11.25	6.50	10.57	24.15	671.69	676.06	669.51	571.51
99	ALL-SHARE INDEX (734)	780.86	−1.4	—	4.14	—	17.62	791.89	794.39	796.77	618.68

	Index No.	Day's Change	Day's High	Day's Low	Sept 24	Sept 23	Sept 22	Sept 19	Sept 18	Year ago
FT-SE 100 SHARE INDEX ‡	1575.9	−27.5	1601.7	1575.9	1603.4	1610.0	1617.1	1680.4	1614.2	1270.8

FIXED INTEREST

	PRICE INDICES	Thurs Sept 25	Day's change %	Weds Sept 24	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	118.66	−0.27	119.03	0.06	8.76
2	5-15 years	130.45	−0.38	131.04	0.08	9.87
3	Over 15 years	136.41	−0.51	137.11	—	10.05
4	Irredeemables	151.33	−0.03	151.37	—	8.90
5	All stocks	128.64	−0.36	129.17	0.06	9.61
	Index-Linked					
6	5 years	111.21	−0.21	111.45	—	2.00
7	Over 5 years	112.28	−0.21	112.52	—	2.53
8	All stocks	112.04	−0.21	112.28	—	2.43
9	Debentures & Loans	112.86	−0.68	113.63	—	7.51
10	Preference	83.26	−0.21	83.44	—	4.66

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Sept 25	Weds Sept 24	Year ago (approx.)
	British Government				
1	Low	5 years	9.53	9.45	9.84
2	Coupons	15 years	10.26	10.21	10.06
3		25 years	10.27	10.23	10.07
4	Medium	5 years	11.18	11.08	10.60
5	Coupons	15 years	10.62	10.55	10.38
6		25 years	10.25	10.19	10.08
7	High	5 years	11.26	11.16	10.67
8	Coupons	15 years	10.81	10.74	10.52
9		25 years	10.34	10.29	10.23
10	Irredeemables †		10.04	10.03	9.69
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	4.72	4.60	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.67	3.65	0.0
13	Inflat'n rate 10%	5 yrs	3.34	3.21	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.50	3.49	0.0
15	Debs &	5 years	10.90	10.80	11.18
16	Loans	15 years	11.30	11.20	11.21
17		25 years	11.36	11.27	11.21
18	Preference †		11.05	11.02	12.07

‡Opening index 1601.5; 10 am 1598.4; 11 am 1593.0; Noon 1588.5; 1 pm 1588.3; 2 pm 1587.6; 3 pm 1585.7; 3.30 pm 1582.6; 4 pm 1582.7.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*298)	300	10	20	30	13	17	23
	330	5	10	18	38	41	47
	360	1½	4	8	65	70	73
B.P. (*670)	550	127	143	157	1	4	9
	600	78	95	120	2	10	18
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*562)	500	75	92	102	2	7	11
	550	37	55	70	15	20	27
	600	13	27	35	47	47	50
P. & O. (*521)	460	63	78	—	2	5	—
	500	25	45	58	6	17	25
	550	8	22	33	42	48	53
[illegible]							

September 25. Total Contracts 19,667. Calls 10,083. Puts 9,584.
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]								
NEDL P	Fl.170	6	1.70	52	4.80	—	—	Fl.176.20
NATN C	Fl.80	53	3.50	—	—	—	—	Fl.82.50
NATN P	Fl.80	77	1.70	—	—	—	—	"
PHIL C	Fl.56	327	0.90	181	2.70	46	4.60	Fl.53.40
PHIL P	Fl.50	149	0.60	36	2.10B	3	2.80	"
RD C	Fl.200	1258	7.20	241	12.70	63	18.30	Fl.205.50
RD P	Fl.200	647	1.70	173	4.50	17	6.80	"
ROBE P	Fl.90	—	—	20	1.60	—	—	Fl.92.90
UNIL C	Fl.500	109	5.10	25	23	56	34	Fl.489.50
UNIL P	Fl.480	120	7	52	15	—	—	"

TOTAL VOLUME IN CONTRACTS: 26,493

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	Citibank NA	10	Mut Credit Corp. Ltd.	10
Adam & Co.	10	Citybank Savings	¶10.95	Nat Bk. of Kuwait	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	National Girobank	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Nat Westminster	10
Allied Irish Bank	10	Comm. Bk. N. East	10	Northern Bank Ltd	10
American Exp. Bk	10	Consolidated Cred	10	Norwich Gen. Trust	10
Amro Bank	10	Co-operative Bank	*10	PK Finans. Intl (UK)	10½
Henry Ansbacher	10	Cyprus Popular Bk	10	Provincial Trust Ltd	11
ANZ Banking Group	10	Duncan Lawrie	10	R. Raphael & Sons	10
Associates Cap Corp	10	E. T. Trust	11	Roxburghe G'rantee	11
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Tst Co Canada	10
Bank Leumi (UK)	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Credit & Comm	10	First Nat. Fin. Corp	11	Trustee Savings Bank	10
Bank of Cyprus	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶10.9
Bank of Ireland	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Westpac B'nking Corp	10
Banque Belge Ltd	10	● Guinness Mahon	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit. Bk. of Mid. East	10	Hongkong & Shangh'	10		
● Brown Shipley	10	Knowsley & Co. Ltd	10½		
CL Bank Nederland	10	Lloyds Bank	10		
Canada Permanent	10	Mase Westpac Ltd.	10		
Cayzer Ltd	10	Meghraj & Sons Ltd	10		
Cedar Holdings	11	Midland Bank	10		
● Charterhouse Bank	10	● Morgan Grenfell	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — [illegible]

CANADA

TORONTO

Closing prices September 25

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1590	NC Oils	$11⅛	11	11	
59642	Nor Tel	$37⅞	37⅞	38¼	−⅝
17800	Northgat	$6⅛	6	6	
133707	Nva AltA f	$5¼	5	5⅛	−⅛
4100	Nowsco W	$12½	12	12	−⅜
36900	Nu West	35	32	35	+4
35000	Numac	$9⅜	9⅛	9⅜	−⅛
1107	Oakwood	230	230	230	
1000	Oakwd A f	125	125	125	
1000	Ocelot B f	315	315	315	
300	Omega Hyd	460	460	460	+20
7344	Oshawa A f	$19	18¾	18¾	
12750	PacW Airl	$18	17¾	18	−⅛
45551	Pgurin A f	$13⅞	13¼	13⅝	+⅝
1800	Pamour	$13¾	13	13	−¾
2325	PanCan P	$26	25¾	26	
42202	Pegasus	$11⅞	11⅝	11⅞	−¼
1000	Pembina	$14⅛	14⅛	14⅛	−¼
500	PJewl A f	$11½	11½	11½	
75	Pine Point	$9½	9½	9½	
256545	Placer D	$32¼	31⅞	32	−⅜
5800	Poco Pet	$9⅜	9⅛	9⅛	−⅛
29175	Powr Cor f	$16¼	15¾	15¾	−½
600	Precamb	345	345	345	−10
885	Provigo	$17½	17	17	−½
11800	Que Sturg	$5½	5⅛	5½	
800	Que Tel	$15	15	15	+⅛
8510	Ranger	$5⅜	5⅜	5⅜	
11900	Rayrock f	$7	6½	6⅞	+⅛
13300	Redpath	$24½	24	24¼	−⅛
5100	Regionl R	279	272	279	+4
1880	Rio Algom	$21⅜	21	21	−¼
2300	Rogers A	$20½	20⅜	20½	+⅛
43006	Rogers B f	$21½	20¾	21¼	+1⅛
3300	Roman	$10⅛	10⅛	10⅛	+½
235	Rothman	$40¼	40¼	40¼	+1¼
312004	Royal Bnk	$32⅜	31¾	32	+⅛
5152	RyTrco A	$30⅜	29⅞	30	−⅜
49828	Royex	380	355	355	−5
22750	SHL Syst	$22¼	21	21⅞	−⅛
3584	StL CemA f	$18	17⅝	18	+⅛
1500	Sceptre	275	265	265	−10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7560	Trimac	250	245	245	−5
300	Trinity Res	53	53	53	
300	Trizec A f	$28	28	28	
300	Trizec B	$28	28	28	
5870	Ulster P	148	142	142	−3
1958	U Entprise	$11⅞	11⅛	11⅛	−⅛
73	Un Corp	$42⅜	42⅜	42⅜	
3500	Versat A f	120	115	115	−5
1000	Versat B	115	115	115	
5700	Vestgron	80	75	75	−5
5500	Vulcan Ind	495	480	480	−20

f—No voting rights or restricted voting rights.

MONTREAL

Closing prices September 25

48601	Bank Mont	$32⅜	32	32	−⅛
378	BombrdrA	$26⅜	26¼	26¼	+⅛
9045	BombrdrB	$26⅜	26⅛	26⅛	−¼
900	CB Pak	$21⅛	19⅞	20	−⅛
112641	Cascades	$15½	14	14⅝	−⅝
3300	CIL	$25½	25½	25½	−½
38950	ConBath	$24⅞	24½	24½	−¼
609	DomTxtA	$17⅝	17½	17⅝	+⅛
13600	MntTrst	$12¼	12	12¼	+¼
34358	NatBk Cda	$27⅜	26⅞	26⅞	−⅜
11506	Noverco	$12⅝	12½	12½	
31610	Power Corp	$16¼	15¾	15⅞	−¼
5825	Provigo	$17⅜	17	17¼	−¼
23450	RollandA	$15½	14½	15¼	+¾
280	RollandB	$15¾	15¾	15¾	+¾
21138	Royal Bank	$32¼	31¾	32	+¼
325	RoyTrstco	$30½	29⅞	29⅞	−⅛
15565	SteinbrgA	$38½	38	38	−¼

Sales 3,570,457 shares

Indices

NEW YORK-DOW JONES

	Sept 25	Sept 24	Sept 23	Sept 22	Sept 19	Sept 18	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	1,769.58	1,803.29	1,797.81	1,783.45	1,762.65	1,763.45	1919.71 (4/9/86)	1502.29 (22/1/86)	1919.71 (4/9/86)	41.22 (2/7/32)
Transport	784.59	792.13	794.38	784.94	788.13	784.83	838.84 (31/3/86)	686.97 (8/1/86)	838.84 (31/3/86)	12.32 (8/7/32)
Utilities	201.75	204.18	203.23	202.84	201.89	202.84	219.15 (20/8/86)	169.47 (22/1/86)	219.15 (20/8/86)	10.5 (8/4/34)
Trading vol	−	134.57m	235.67	128.08m	151.89m	132.24m	−	−	−	−

	Sept 19	Sept 12	Sept 5	Year Ago (Approx)
Ind Div Yield %	3.88	3.87	3.58	4.74

STANDARD AND POORS

	Sept 25	Sept 24	Sept 23	Sept 22	Sept 19	Sept 18	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	256.35	261.35	[illegible]	260.11	257.87	257.47	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.82 (30/6/32)
Composite	231.83	236.28	235.67	234.93	232.21	232.31	253.3 (27/8)	203.49 (22/1)	253.3 (27/8)	4.40 (1/6/32)

	Sept 17	Sept 10	Sept 3	Year Ago (Approx)
Ind div yield %	3.16	2.98	2.94	3.79
Ind. P/E Ratio	18.58	17.70	18.38	12.41
Long Gov Bond Yield	7.83	7.48	7.31	10.66

N.Y.S.E. ALL COMMON

Sept 25	Sept 24	Sept 23	Sept 22	1986 High	1986 Low
133.77	136.86	135.80	135.05	145.16 (26/8)	117.36 (22/1)

RISES AND FALLS

	Sept 24	Sept 23	Sept 22
Issues traded	1,964	1,983	1,953
Rises	911	943	1,139
Falls	632	640	462
Unchanged	421	400	352

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Beatr-Pack	4,217,100	38½	−4	Goodyear	1,829,500	32⅞	unch
Lucky Str	4,067,800	36	+1⅞	Allied Str	1,414,600	61⅛	+½
Ander Clay	3,069,700	85⅛	+1⅞	Consw Ed	1,406,000	31⅞	−⅛
ATT	2,322,900	22⅞	−⅝	Zweig Inc	1,370,000	10⅛	unch
USX Cp	2,228,000	22⅞	−⅛	IBM	1,311,000	135⅛	−1⅞

Advances 293 Declines 1,280

TORONTO

	Sept 25	Sept 24	Sept 23	Sept 22	1986 High	1986 Low
Metals & Minls	2,188.00	2,217.80	2,229.20	2,247.7	2,442.05 (21/3)	1,917.4 (5/8)
Composite	2,994.40	3,017.30	3,000.80	3,019.1	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,501.72	1,518.10	1,514.12	1,510.52	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

	Sept. 25	Sept. 24	Sept. 23	Sept. 22	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1250.5	1235.8	1234.1	1225.8	1250.5 (25/9)	1016.8 (2/1)
Metals & Mnls. (1/1/80)	645.1	634.4	640.0	651.4	645.1 (25/9)	461.1 (20/5)
AUSTRIA						
Creditbk Aktien(30/12/84)	238.53	235.88	238.55	238.32	288.84 (25/4)	228.56 (5/8)
BELGIUM						
Brussel SE (1/1/84)	3904.54	3898.42	3884.29	3832.17	4034.33 (8/9)	2788.91 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	200.15	200.67	198.70	197.45	250.78 (18/4)	195.58 (5/8)
FRANCE						
CAC General (31/12/82)	389.3	387.8	388.9	390.7	412.5 (1/8)	267.8 (2/1)
Ind Tendance (31/12/82)	149.5	147.8	148.5	148.7	158.0 (28/8)	101.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	667.98	672.74	675.37	661.03	763.88 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1995.2	2016.0	2019.4	1988.4	2278.6 (17/4)	1782.4 (22/7)
HONG KONG						
Hang Seng Bank(31/7/64)	2011.70	2008.20	1992.68	1965.60	2011.70 (25/9)	1559.94 (18/3)
ITALY						
Banca Comm Ital. (1972)	758.18	784.95	785.68	741.72	908.28 (28/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	17988.5	17956.8	(c)	17798.5	18638.2 (28/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1482.87	1481.27	(c)	1458.31	1583.35 (20/8)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	285.8	287.5	288.4	281.9	301.9 (5/9)	240.4 (5/5)
ANP.CBS Indust (1970)	284.7	287.0	288.1	283.2	305.9 (19/6)	234.9 (5/5)
NORWAY						
Oslo SE (4/1/83)	375.84	375.75	372.78	372.76	482.91 (16/1)	331.61 (4/6)
SINGAPORE						
Straits Times (30/12/66)	820.01	828.76	819.82	818.20	863.18 (1/8)	565.54 (25/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	−	1918.8	1986.0	1996.0	2061.9 (19/8)	1109.1 (21/4)
JSE Indust (28/9/78)	−	1579.8	1580.0	1585.8	1585.0 (19/8)	1019.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	189.37	189.19	191.57	192.58	204.25 (4/9)	100.93 (8/1)
SWEDEN						
Jacobson & P (31/12/56)	2480.79	2480.57	2445.19	2449.35	2529.82 (12/8)	1728.57 (28/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	548.7	546.6	546.6	543.0	625.5 (8/1)	487.2 (4/6)
WORLD						
M S. Capital Intl.(1/1/70)	−	342.2	340.8	341.0	380.9 (1/8)	248.8 (25/1)

** Saturday September 20: Japan Nikkei (c). TSE (c).

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

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Instinet to join London exchange at Big Bang

BY ALEXANDER NICOLL IN LONDON

INSTINET, the US automated share trading network which has links with Reuters of the UK, announced yesterday that it is to become a member of the London Stock Exchange when the latter's trading practices alter on October 27.

The surprise news ends an uneasy period in their relationship, during which it seemed that Instinet's computer-based system might attempt to establish itself as a rival body to the Stock Exchange. "Peace is declared," said Mr Peter Benjamin, *a director of Instinet's UK sub*sidiary and a special projects manager of Reuters.

Instinet's present service links US brokers with institutional investors, with automatic and anonymous execution of the institutions' orders. It is a member of all US stock exchanges except the New York Stock Exchange.

Reuters, which has options to take its 6.9 per cent holding in the company up to 28 per cent, has the rights to market Instinet's system in Europe and will be able to do so to UK institutional investors after October's Big Bang.

The initial purpose of the deal is to provide Instinet's subscribers in the US, which include about 100 major investing institutions as well as some 120 brokerage firms, with direct access to the UK market.

Though Instinet aims eventually to have totally automated execution of its UK trades – with settlement links to the Stock Exchange's Talisman system – it expects initially to use a broking firm to help carry out the trades.

US subscribers to the system will see prices quoted by market makers on the Stock Exchange's automated quotation system.

Instinet will thus act as a kind of automated low-fee broker in the London market.

Most of Instinet's US business is in large blocks of shares, and about 2 per cent of US stock market business passes through it.

It also has a small order execution service, and expects to link with the Stock Exchange's similar orders when it begins operating next year.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Bank of Scotland	448	+13
Buckley's Brewery	113	+12
Central TV N/V	345	+20
H.T.V.	240	+17
LWT	395	+15
McCorquodale	265	+7
Pentland Inds	450	+15
Somportex	237	+7
United Newsp.	370	+25
Watson & Philip	156	+9

FALLS		
Tr 11½ 1989	£100½	−£1¹/₁₆
Conv 9½ 2005	£92⅜	−£⅜
Beecham	393	−8
Blue Circle	551	−12
Burton	286	−12
Combined Eng St.	225	−10
Dee Corp	240	−8
GKN	254	−10
Glaxo	930	−22
LCA Hldgs.	58	−25
Lucas Inds	487	−11
MEPC	317	−6
Nash Inds	56	−7
Norton Opax	133	−12
Plessey	164	−8
Royal Insce	792	−25
Rugby P. Cement	157	−9
Smiths Inds	246	−9
Tate & Lyle	598	−10
Wimpey (Geo.)	201	−7

US drugs companies sued

SEVEN big US drugs companies are being sued for $100m in what appears to be the first case brought on behalf of a third-generation victim of diethylstilbestrol (DES), a synthetic oestrogen developed in 1939, AP-DJ reports from New York.

It is estimated that 6m American women used the drug to prevent miscarriages before tests in 1971 linked its use to cancer in the daughters of users.

The suit was filed in New York state court by Mrs Stephanie Kanarek-Smith, 31, whose mother took DES in 1954. Mrs Kanarek-Smith contends that her daughter was born with cerebral palsy 19 months ago. The suit charges the drug companies with being "careless and negligent."

Names in the suit were Eli Lilly, E. R. Squibb, Abbott Laboratories, Upjohn, Merck, Rexall Drug and Winthrop, a unit of Sterling Drug.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	2.0	16	395	22⅝	21½	21½	−1⅛
30	21¾	ADT	.92	3.6		412	25¾	25	25½	+⅝
33	11½	AFG s	.08	.3	16	355	29	28	28⅞	
25⅝	13¾	AGS			12	58	17¾	17¼	17¾	+¼
60⅝	37½	AMR			14	6558	57⅛	55½	56⅜	−⅞
12½	9	APL			6	4	11½	11½	11½	
16¾	10	ARX	.71l	6.5	10	40	11⅛	10⅞	11	−¼
41½	28¾	ASA	2a	5.1		873	39¼	38⅝	39	−⅜
16⅝	9¾	AVX		3.1		388	10¼	10	10¼	
32	22⅝	AZP	2.72	9.2	8	961	30	29½	29⅝	−¼
55	26⅝	AbtLb s	.84	2.0	30	4635	44¼	41¾	42½	−1⅝
32	19⅝	AccoWd	.56	2.2	17	208	26¼	25¼	25⅝	−½
14⅞	9	AcmeC	.40	4.0		79	10	9¾	10	
9¼	6¼	AcmeE	.32b	4.6	15	11	7	7	7	
22⅜	17	AdaEx	1.90e	9.5		108	20¼	19⅞	20	−¼
33⅝	16⅞	AdmMl	.40	1.6	11	38	24⅝	24⅝	24⅝	
20⅜	12⅞	AdvSys	.83t	6.1	12	243	13¾	13½	13⅝	−⅜
32⅞	14⅛	AMD				2124	17⅝	16¾	17	−⅝
12⅝	5⅝	Adobe n				24	7	6¾	7	+⅛
16⅝	13¾	Adob pf	1.84	12.		13	15⅝	15½	15½	
20¼	15¼	Adob pf	2.40	13.		20	18¼	18¼	18¼	
18⅜	7⅜	Advest	.12a	.9	10	435	13⅜	12⅞	13⅜	
66¼	43⅛	AetnLf	2.64	4.5	10	4071	58½	57⅞	58¼	−1¼
56½	51½	AetL pf	4.69e	8.9		20	52¾	52¾	52¾	−⅛
28¾	9⅞	Ahmns	.48	2.1	7	3645	22½	21	21⅝	−¾
5¾	2⅝	Aileen			52	14	3⅝	3½	3⅝	+⅛
41⅝	26	AirPrd s	.80	2.3	63	1240	34⅞	34¼	34⅜	−½
27¾	16	AirbFrt	.60	3.1	17	81	19⅞	19¼	19¼	−½
[illegible]										

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¼	15⅝	PleNG	s1.20	6.0	14	41	20¼	19⅞	20⅛	
22⅝	9⅞	Pier 1	s		19	102	16⅛	15⅛	15⅝	−⅝
11½	7½	PilgRg n	.12e	1.4		199	8⅝	8⅝	8⅝	+⅛
82⅝	50⅛	Pilsbry	2	3.0	14	4028	67¼	66½	67½	−¼
28⅝	13⅛	PionrEl	.13e	.5		25	27	27	27	−½
66	37⅛	PitnyB	1.32	2.2	15	697	62⅛	60½	60⅝	−1⅝
15⅞	10½	Pittstn			59	828	11⅞	11½	11¾	−⅛
28½	15	Plains.n	.07	.3	69	285	24⅝	24	24⅛	+⅛
24	14⅛	PlanRs	.20	1.0		767	20½	20¼	20¼	−¼
19½	9¼	Plantrn	.16	1.0	19	221	16⅝	16½	16⅝	
10	5⅞	Playboy				96	7½	7¼	7⅜	
37¾	19¼	Plessey	.91e	3.5	13	9	25⅞	25⅝	25⅞	+⅜
13⅞	4½	PogoPd	.20	4.4		678	4¾	4½	4½	−⅛
73⅝	31¼	Polarid	1	1.6	24	4172	63¼	62	62⅛	−1
26	10⅞	Pondrs	.40	2.0	17	639	20½	20¼	20½	
24⅛	16⅞	PopTal	.80b	4.0	21	60	20¼	19⅞	19⅞	−⅜
36¼	17⅞	PortGC	1.96	6.5	10	382	30½	30	30	−⅜
29⅝	23	PorG	pf2.60	9.2		6	28⅝	28	28⅝	+⅛
35⅞	32⅛	PorG	pf4.40	13.		51	33⅞	33	33⅝	+⅜
35½	32	PorG	pf4.32	13.		71	34	33½	33¾	−¼
61	39	Potlich	1.56	2.8	17	71	56½	55⅝	55½	−1¼
69¼	64	Potlt	pf 3.75	6.0		10	63⅛	63	63	
59¼	27½	PotmEl	2.36	4.8	13	1199	49¾	49⅛	49⅝	−⅜
62¾	38½	PotEl	pf4.04	7.8		z220	52	51½	52	+½
35½	22¼	Premin	.40	1.4	19	33	28⅝	27⅝	27⅝	−¾
29	19	Primk	s1.10	4.4	10	100	25	24½	24¾	
28	14½	PrimeC			18	1952	20⅛	19⅞	20	−⅛
45⅝	24	PrimM	s.08	.3	22	1324	31⅞	29¾	30¼	−1½
82½	55	ProctG	2.70	4.0	16	3374	68½	66⅝	66¾	−1⅞
15⅛	12⅝	PrdRs	.28	1.7	22	150	16⅞	16⅝	16⅝	−¼
43½	27	Proler	1.40	4.7		16	29⅝	29⅝	29½	−⅛
2⅞	1⅛	ProRlC				120	1⅜	1¼	1⅜	
8⅝	7⅜	ProRl	.81e	7.7		215	7⅞	7¾	7⅞	+⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
72¼	45¾	Xerox	3	5.6	16	1449	54½	52½	53⅝	−1½
58¼	54	Xerox	pf5.45	9.7		51	56⅛	55¾	56⅛	−⅛
28¾	20⅝	XTRA	.64	2.8		398	22½	21⅝	22½	+¼
17⅝	13½	Yorkin n				147	16	15¾	15¾	−¼
39	27	ZaleCp	1.40	4.1		31	34¼	34	34¼	−½
9½	3¼	Zapata	.03i			119	3½	3⅜	3⅜	−⅛
43⅞	23½	Zayre	s .32	1.3	17	2537	25½	24⅝	25	−½
17	9⅞	Zemex	.40	3.9	11	31	10¼	d	9¾	10¼
29⅞	16¼	ZenithE				871	20⅝	20	20¼	−¼
18¼	8	ZenLb	s		13	817	9⅝	9	9⅛	−⅜
22⅝	13¾	Zero	s .29	2.0	14	73	14¾	14	14¼	+⅛
45¾	32¾	Zurnin	1.32	3.7	13	330	35¾	35½	35½	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted, vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Sharp fall after three day rally

FINANCIAL markets turned lower yesterday with hard-hit stock markets giving up virtually all their gains from a three-day rally, *writes Roderick Oram in New York.*

Prompted in part by the renewed weakness of the dollar, the bond markets fell back rapidly from sharp early rises to show no gain on the day.

The Dow Jones industrial average closed down 34.73 at 1,768.56 while the New York Stock Exchange composite index was off 2.29 at 133.77.

The setback leaves the Dow index of blue chip stocks barely 10 points above the low point touched in the steep sell off two weeks ago.

Some analysts saw yesterday's decline as an extension of the mid-month fall since the intervening rally had been hesitant and unconvincing. Trading yesterday was moderate at 134.29m shares with declining issues outnumbering rising by about three to one.

Yesterday's performance showed a "lack of buying conviction" among investors, said Mr Brian Luedtke, technical analyst with Piper, Jaffray, Hopwood of Minneapolis.

The upturn earlier in the week had rested largely on a technical bounce of some oversold shares, such as the drug companies, and a lot of short covering, he added.

With these factors absent yesterday and a trend against consumer cyclical stocks such as Disney, down $2⅛ at $38⅛, Marriott off $1⅜ at $38⅞ and McDonald's off $1¼ to $58⅝, the market fell rapidly through the 1,800 level. It found some stability around 30 points lower although at its worst it was down about 44 points.

Technology stocks continued their weakness of Wednesday with Hewlett-Packard particularly hard hit on heavy volume after an analyst dropped his buy recommendation. It closed above its low for the day at $39⅝, off $3⅞.

IBM was off $1¾ at $135¾, National Semiconductor eased $¼ to $8⅞ and Intel was down $¾ at $19¼. Wang, which yesterday unveiled large discounts on its products, was off $¼ at $12¾.

Honeywell, which announced on Wednesday it was seeking the merger of its computer business with those of NEC of Japan and Bull of France, eased $½ to $69⅝.

On the takeover front, Allied Stores rose $⅜ to $61½

Tesoro Petroleum slipped $⅝ to $8⅛ after it announced it was suspending its 10 cents a share quarterly dividend and was considering a "significant" write down of its drilling rigs and oilfield equipment.

Credit markets opened strongly with futures prices putting on almost 1½ points in the first hour and cash prices rising about ⅞ of a point but the gains were short lived.

At the close the prices of many maturities were unchanged although the benchmark Treasury 7.25 per cent long bond due 2016 managed a 7/32 of a point gain to 95 19/32 at which it yields 7.62 per cent.

Three-month Treasury bill yield was unchanged at 5.24 per cent, but the six month was up one basis point at 5.37 per cent and the 12 month yield was up two basis points at 5.48 per cent.

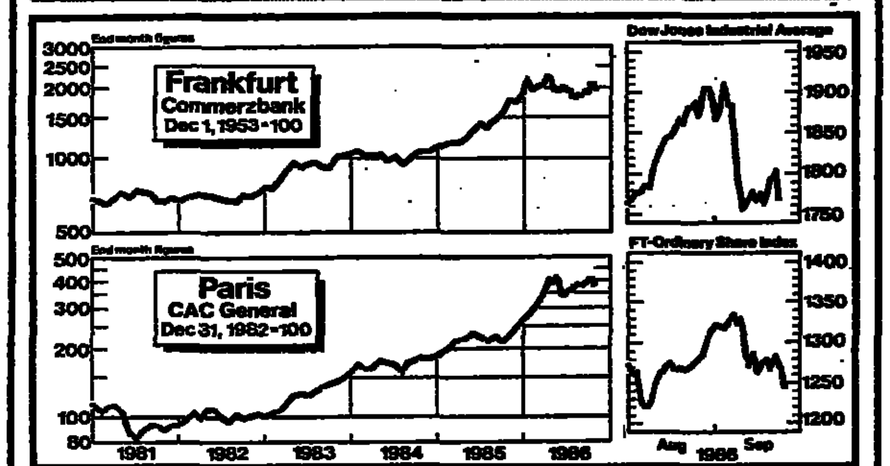
A number of factors made the market cautious including the failure of the Bundesbank yesterday to cut interest rates, the upcoming round of international meetings such as the Group of Five and the IMF and a downturn in the dollar yesterday after a rapid recovery from the sharp decline against the D-mark last week.

Moreover, fears on Wall Street of a pick up in the inflation and thus higher interest rates seemed to have eased this week, in part because of encouraging economic figures on consumer prices and factory orders.

Dr Henry Kaufman of Salomon Brothers and some other analysts believe the Federal Reserve Board will make another discount rate cut this year.

Yesterday the Fed appeared to do $4bn to $5bn of system repurchases. M1 fell $4.4bn in the week.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 25	Previous	Year ago
NEW YORK			
DJ Industrials	1,768.56	1,803.29	1,312.05
DJ Transport	784.50	792.13	644.31
DJ Utilities	201.75	204.16	151.77
S&P Composite	231.83	236.28	180.66
LONDON			
FT Ord	1,242.3	1,264.5	980.6
FT-SE 100	1,575.9	1,603.4	1,275.20
FT-A All-share	780.86	791.89	619.89
FT-A 500	855.77	869.67	680.17
FT Gold mines	336.2	339.1	
FT-A Long gilt	10.34	10.29	10.36
TOKYO			
Nikkei	17,988.35	17,955.76	12,704.8
Tokyo SE	1,482.07	1,481.00	1,018.34
AUSTRALIA			
All Ord.	1,250.5	1,235.6	961.3
Metals & Mins.	645.1	634.4	510.9
AUSTRIA			
Credit Aktien	238.53	238.38	n/a
BELGIUM			
Belgian SE	3,904.34	3,896.42	2,448.61
CANADA			
Toronto			
Metals & Minls	2,158.80	2,217.8	1,896.90
Composite	2,984.40	3,017.3	2,615.80
Montreal			
Portfolio	1,501.72	1,518.10	127.42
DENMARK			
SE	200.15	200.67	215.60
FRANCE			
CAC Gen	389.30	387.80	213.5
Ind. Tendance	149.50	147.80	77.35
WEST GERMANY			
FAZ-Aktien	667.99	672.74	529.17
Commerzbank	1,995.20	2,013.00	1,559.8
HONG KONG			
Hang Seng	2,011.70	2,008.30	1,547.68
ITALY			
Banca Comm.	756.18	764.95	396.19
NETHERLANDS			
ANP-CBS Gen	285.00	287.30	216.2
ANP-CBS Ind	284.70	287.00	189.4
NORWAY			
Oslo SE	375.64	373.73	368.77
SINGAPORE			
Straits Times	820.01	828.76	782.60
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,918.0	1,110.4
JSE Industrials	—	1,379.0	962.5
SPAIN			
Madrid SE	189.37	189.19	79.74
SWEDEN			
J & P	2,480.70	2,460.97	1,392.57
SWITZERLAND			
Swiss Bank Ind	548.70	546.60	483.2
WORLD	Sep 24		
MS Capital Int'l	-	343.2	217.3

COMMODITIES

(London)	Sep 25	Prev
Silver (spot fixing)	407.75p	409.85p
Copper (cash)	936	£928.50
Coffee (Sept)	2,451	£2,526.50
Oil (Brent blend)	$13.55	$13.80

GOLD (per ounce)

	Sept 25	Prev
London	$586.00	$434.00
Zurich	$430.50	$432.50
Paris (fixing)	$425.45	$427.57
Luxembourg	$431.00	$436.50
New York (Dec)	$438.80*	$434.00

CURRENCIES

	US DOLLAR		STERLING	
(London)	Sep 25	Previous	Sep 25	Previous
$	–	–	1.435	1.4465
DM	2.0475	2.0475	2.9375	2.9625
Yen	154.50	154.50	221.75	223.50
FFr	6.705	6.7075	9.6225	9.7025
SFr	1.66	1.685	2.3825	2.3975
Guilder	2.3125	2.3105	3.3175	3.3425
Lira	1.415	1.414	2.030	2,045.25
BFr	42.45	42.40	60.90	61.35
C$	1.389	1.388	1.992	2.004

INTEREST RATES

Euro-currencies (3-month offered rate)	Sep 25	Prev
£	10½	10 9/16
SFr	4⅛	4 3/16
DM	4 9/16	4⅝
FFr	8 1/16	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6 1/16	6⅛
6-month US$	6 1/16	6⅛
US Fed Funds	5 13/16	6¼
US 3-month CDs	5.65	5.65
US 3-month T-bills	5.22	5.24

US BONDS

Treasury

		September 25 Price	Yield	Prev Price	Yield
6⅝	1988	100	6.375	99 31/32	6.392
7¼	1993	99 27/32	7.285	99 24/32	7.294
7⅜	1996	99 14/32	7.46	99 7/32	7.488
7¼	2016	95 19/32	7.63	[illegible]	7.665

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Sep 25 Day's change	Yield	Day's change
1–30	155.18	−0.01	7.19	+.00
1–10	148.65	+0.01	6.87	+.00
1–3	139.85	+0.02	6.41	+.00
3–5	151.10	+0.03	7.07	+.00
15–30	178.63	−0.13	8.29	+.01

Source: Merrill Lynch

Corporate	September 25 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.125	6.25	91.5	6.459
SCBT South Central				
10⅞ Jan 1993	106.25	9.561	106.25	9.562
Phibro-Sal				
8 April 1996	97.724	8.33	96.771	8.50
TRW				
8⅞ March 1996	101.5	8.513	100.25	8.709
Arco				
9⅞ March 2016	105.25	9.347	104.75	9.395
General Motors				
8¼ April 2016	89.00	9.214	88.125	9.311
Citicorp				
9⅞ March 2016	96.375	9.750	96.75	9.817

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	95–12	96–09	94–27	95–21
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.77	94.83	94.73	94.78
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.03	94.07	93.98	93.90
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110–14	120–5	101–2	111–03

* Latest available figures

LONDON

Weak pound arouses anxiety

THE CONTINUED WEAKNESS of sterling gave rise to fresh anxieties in London financial markets yesterday.

News that the Bundesbank was leaving its credit policies unchanged turned the retreat into a rout, although the German decision to hold rates was not a surprise.

The FT-SE 100index fell 27.5 to 1,575.9 and the FT Ordinary index 22.2 to 1,242.3.

A brave attempt by the gilt-edged sector to recover from a series of disasters ended in failure. Long and shorter maturities sustained fresh net losses ranging to ¾ as interest rate possibilities took precedent over all other factors.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33.

AUSTRALIA

EXPECTATIONS that interest rates may soon fall, coupled with demand for stocks subject to takeover speculation, fuelled a rally which took Sydney to a record high.

The All Ordinaries index improved 14.3 to 1,250.1, compared with the previous peak of 1,247.8 set on May 7. Turnover fell to 101.6m shares from the previous day's 116.4m.

Takeover speculation surrounding Herald and Weekly Times gained momentum with more than 1.1m shares traded. The stock rose 20 cents to A$7.10 for a four day climb of 70 cents.

IEL, considered a potential suitor, was steady at A$7.24, while HWT's associate, Adelaide Advertiser put on 20 cents to A$2.90.

Gold and gold-related mines were in demand as local and foreign investors weighed the advantages of a slightly easier Australian dollar.

Central Norseman put on 30 cents to A$15.30, Emperor 12 cents to A$4.42, CRA 20 cents to A$7.06 and MIM 7 cents to A$2.34. WMC rose 8 cents to A$4.38 on turnover of 3.2m shares.

HONG KONG

OVERSEAS DEMAND for selected blue chip issues proved sufficient to overcome some waves of local selling and enable Hong Kong to continue on its record setting ways.

The Hang Seng index advanced 3.4 from Wednesday's peak to close at 2,011.70.

Advances were registered by most leaders, with properties proving the exception.

Jardine Matheson put on 10 cents to HK$16.80 but Sun Hung Kai Properties slipped 20 cents to HK$16.40. Both are expected to report higher profits today.

China Gas and Hongkong Telephone were both 10 cents ahead at HK$16.90 and HK$11.80, respectively, while Hongkong Bank rose 5 cents to HK$7.05 in heavy trading.

Cheung Kong lost 50 cents to HK$26.40, while Hongkong Wharf and Hongkong Land each fell 10 cents to HK$7.65 and HK$6.65, respectively.

SINGAPORE

A BROAD DECLINE in Singapore saw the Straits Times industrial index lose most of Wednesday's gain to close 8.75 points down at 820.01 in lighter trading. Turnover fell to 17.5m shares from 18.9m.

Among active stocks, Chuan Hup edged down 2 cents to S$1.57 on 763,000 units traded after its strong performance the previous day.

Elsewhere, Malayan Banking fell 8 cents to S$3.88, Sime Darby 5 cents to S$1.60, Haw Par 8 cents to S$2.98 and Cold Storage 4 cents to S$3.88.

The big banks were mostly steady, with the exception of UOB, off 8 cents at S$3.90. Other major sectors tended easier.

EUROPE

Elf provides pick up for Paris bourse

THE announcement that the French Government it to sell part of its holding in Elf Aquitaine at below the current market price provided a fillip to bourse trading in Paris yesterday.

The oil group's shares, which finished trading on Wednesday at FFr 339, were suspended ahead of the Finance Ministry's announcement setting the price at FFr 305, slightly lower than expected.

Share prices generally ended mixed after a weaker opening, with car components maker Valeo jumping FFr 34 to FFr 643, a new 1986 high. The company announced a return to profitability in the first half and plans to boost its capital by about FFr 500m at the end of the month.

Leading losers included Imetal, down FFr 2.70 to FFr 65.00, Bouygues, which dropped FFr 40 to FFr 1,380, and Matra, down FFr 65 at FFr 2,325.

Elsewhere, this weekend's IMF meeting in Washington continued to overhang the markets.

Uncertainty in **Frankfurt** was fuelled by the meeting of the Bundesbank council, which announced it was leaving its credit policies unchanged.

Deutsche Bank, which led the market over the previous two days, bounced back from Wednesday's profit-taking to add DM 7 at DM 800. Other banks were softer, with Dresdner off DM 3.50 at DM 416.50 and Commerzbank down DM 4 at DM 328.

A strong electrical sector saw Nixdorf add DM 13 to DM 705 in response to a $100m order from US retailer Montgomery Ward and speculation it is about to launch an equity-linked bond.

Bonds closed mixed after a lacklustre session. The Bundesbank sold DM 16.3m worth of paper

In **Milan**, trading was concentrated for a third day on Fiat and Montedison. Fiat shares were again sharply down in the wake of the planned sale of Libya's stake in the car maker, ending L750 lower at L15,700.

Montedison, however, moved against the easier trend to close L160 up at L3,590 on persistent speculation about its future ownership.

Blue-chip Olivetti eased L19 to L16,831 despite better first half sales, while insurance leader Generali was off L1700 to L112,300. Banks were mixed-to-higher.

Sentiment improved in **Zurich** in the second round of trading after expiring forward contracts had been settled. Turnover grew but gains were limited by caution ahead of the Bundesbank and IMF meetings.

Shares closed steady to firmer, with Ciby Geigy among chemicals up SFr 95 at SFr 3,475. Engineering stocks were mixed, with BBC down SFr 40 at SFr 1,550 but Georg Fischer adding SFr 40 to SFr 1,920.

Bonds closed steady on increasing volume.

A mainly easier trend was seen in **Brussels**, but trading was very quiet as the market paused to take breath before the financial talks in Washington.

Petrofina lost BFr 100 to BFr 9,300 and steel maker Arbed slid BFr 65 to BFr 2,305. Wagons-Lits shed BFr 70 to BFr 5,780 despite forecasting higher 1986 profits. Among gainers, chemical Gevaert put on BFr 140 to BFr 6,330.

Amsterdam had a dull session, with domestic share prices losing ground after the Bundesbank meeting and little interest shown in internationals ahead of the weekend. Banks were lower and insurers mixed.

Stockholm cast off some of its caution of the last few days to close higher, but the spectre of industrial unrest prevented any surge in turnover or values.

Pharmaceuticals saw Pharmacia add SKr 6 to SKr 191, while Fermenta was down SKr 3 to SKr 342 amid continuing uncertainty over its future. Volvo also bucked the general trend, easing SKr 2 to SKr 371.

Madrid saw a modest advance led by utilities and communications, with Telefonica closing 2.2 points higher at 178.2 per cent of nominal value. Gains in **Oslo** were limited by a Norwegian Bankers' Association report predicting 9 per cent inflation and 12 per cent wage increases this year.

CANADA

GOLD SHARES closed mixed to easier in Johannesburg as the bullion price continued to drift.

Randfontein shed R13 to R442 and Loraine 50 cents to R28.50 but the cheaper priced Sallies firmed 10 cents to R7.60.

Mining financials shadowed golds although Rand Mines was untraded on the announcement that it is to acquire 42 per cent of Vansa and join it in a possible new platinum venture. Vansa extended Wednesday's losses with a 20 cent drop to R4.

TOKYO

Sales fail to check advance

SHARES closed higher for the fifth consecutive trading day in Tokyo yesterday after some early fluctuations, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital, domestic demand-related, and information and telecommunications issues surged in brisk trading, while blue-chip electricals were dampened by a wave of selling toward the close.

The Nikkei market average ended 32.59 higher at 17,988.35, on volume that shrank to 697.56m shares from 779.56m. Losers led gainers by 475 to 364, with 135 issues unchanged.

The index had gained a net 122 points by mid-morning into record territory but then slid to 17,904 at mid-afternoon, down 51 points from Wednesday's close.

Individual investors became active in anticipation that brokerage houses and institutional investors would be aggressive market participants today when trading for delivery in October starts.

Leading the large-capital upswing were three issues related to redevelopment projects in the Tokyo Bay area.

Tokyo Gas jumped Y60 to an all-time high of Y1,080. Ishikawajima-Harima Heavy Industries advanced Y41 to Y550, while Nippon Kokan rose Y13 to Y325.

Bond prices eased after a strong start. The market was buoyed initially by the statement from Mr Paul Volcker, the Federal Reserve Board chairman, that the dollar had fallen enough against other major currencies. Another positive factor was the prediction by Mr Henry Kaufman, chief economist at Salomon Brothers, that the Fed may again lower its discount rate in the months ahead.

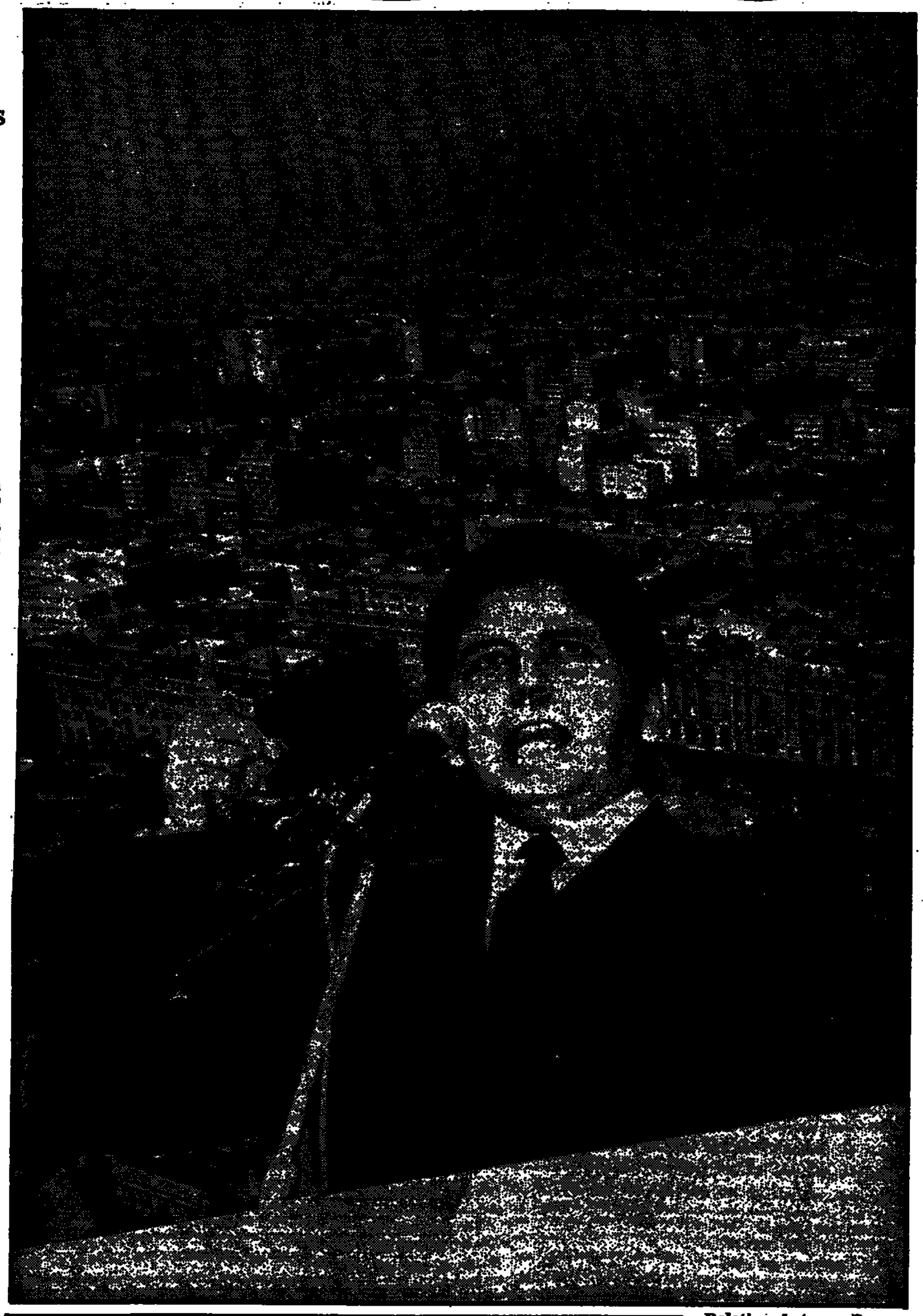
The yield on the benchmark 6.2 per cent government bond, maturing in July 1995, declined to 4.525 per cent at one stage before sell orders worth more than Y100bn were placed, pushing the yield up to 4.650 per cent, compared with Wednesday's 4.645 per cent.

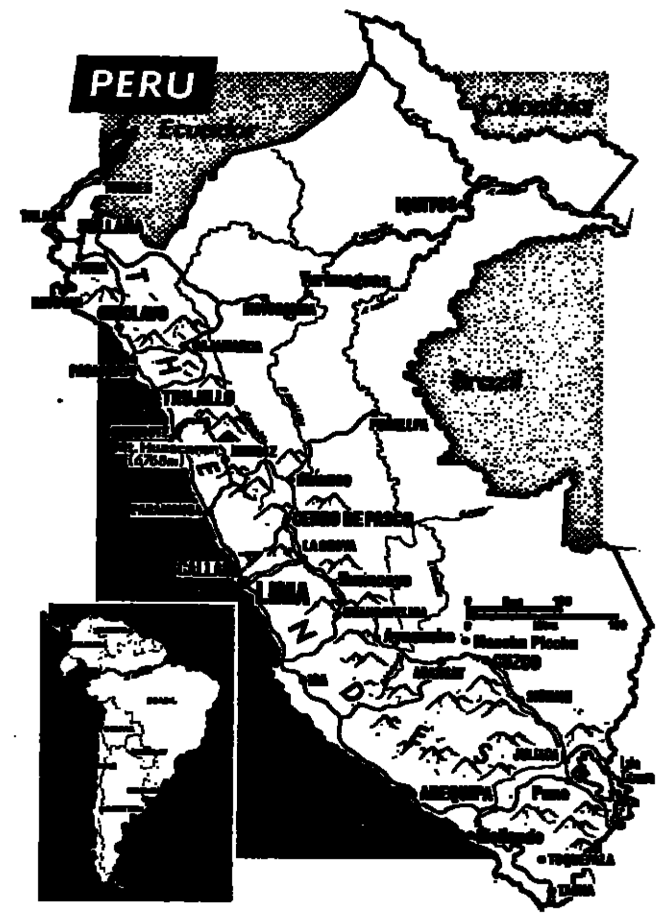
Institutional investors retreated to the sidelines, awaiting clarification of interest rate policy by major advanced nations at the joint annual meeting of the International Monetary Fund (IMF) and the World Bank opening in Washington.

SECTION III

FINANCIAL TIMES SURVEY

Peru





President Garcia's vision of revitalising Peru has lifted national morale but the dispute over international debt repayments means that some uncomfortable decisions have to be taken soon

New broom finds awkward corners

By Robert Graham, Latin American Editor

HIGH ABOVE the presidential palace in the centre of Lima vultures wheel on the air currents wafting in from the Pacific Ocean. Occasionally the vultures are lost in the fine grey mist that envelops the Peruvian capital at this time of year with the onset of the southern hemisphere spring.

At other times they alight on the cross atop the cathedral which looks down on the palace across the formal open space of the Plaza de Armas.

Like the vultures, Peru's international creditors are waiting to see what offerings will come from the presidential palace. Since President Alan Garcia took office in July 1985 and declared payments on the country's $13.7bn foreign debt would be limited to 10 per cent of exports, the international community has been left to scavenge.

Relations between Peru and its international creditors are now coming to a head. On August 15, President Garcia deliberately chose to ignore warnings from the International Monetary Fund, and paid up only $35m on arrears of $170m.

Peru just thus joined the handful of desperate case nations to be declared "ineligible" by the IMF, with the consequent risk of losing access both to other institutional credit in the pipeline, and a drying up of commercial bank credit that could strangle trade.

Today in New York a crucial meeting is to be held between Peru and the 13-member steering committee that represents the 260 commercial banks anxious about the fate of rapidly accumulating arrears. Their last payment was a token $17.8m in April.

If no agreement is reached the steering committee could be dissolved and each of the banks may pursue its own course to recover money owed—enormously complicating an orderly solution to the problem of Peru's debt which in turn is linked to the country's future economic and political stability.

The Peruvian position is still that formally enunciated by President Garcia on the first anniversary of his presidency. "We cannot pay the banks by sacrificing the people. We cannot seek fresh money just to pay old debts; nor can we renounce our economic sovereignty accepting that others can make decisions as to how we conduct the economy.

"If each time we are getting paid less for our oil, our copper, our silver and our labour, how are we going to pay our debts—in a servile manner according to the conditions of our debtors?"

In private such dogmatism and rhetoric is now being played down as Peruvian officials become aware of the full consequences of being excluded by the international financial community. Feelers have been put out to the World Bank to act as intermediary and belatedly the Government has begun to mount a campaign to get its point of view across. "We want to intensify the dialogue with our creditors," says Mr Luis Alva Castro, the Prime Minister and Minister of Economy.

"Our priority during the first year," says Mr Leonel Figueroa, head of the central bank, "was to deal with the domestic economy. This had to come first; now we want to reach a negotiated solution with our creditors."

According to Mr Gustavo Saberbein, Deputy Finance Minister and the man in charge of debt negotiations, "we have never said that we would not pay, rather that Peru simply cannot pay under the present conditions."

Peruvian officials point out that the payment has been made on a selective basis to priority creditors—the World Bank, the Inter-American Development Bank, US AID, and Western governments with deliberately smaller portions to the banks and suppliers.

If Peru had complied with its debt service obligations in 1985—without paying off any accumulated arrears—it would have paid out $1.37bn, equivalent to 95 per cent of GDP. By the end of this year arrears on principal and interest will have reached $4bn, against a current account balance of payments negative to the tune of $640m. Arrears will be almost double export earnings.

Other Latin American debtors like Bolivia, Costa Rica and even Mexico are in similar positions of having huge gaps between what they need to reimburse and what their export earnings currently generate.

Why then has Peru chosen to keep such a lonely path, consciously defying the international community? Mr Saberbein argues that it is not so much defiance as necessity. "Peru is a very special case" he says listing five main elements:

1—In Peru the recession caused by a combination of declining prices for main export commodities and debt service has been deeper than anywhere else in Latin America other than Bolivia. GDP has fallen back to the level of the mid-sixties, double the regional average drop.

2—The decline in GDP, coupled with a consequent fall in real earnings, of as much as 50 per cent in the past five years, has placed a serious strain on Peru's social fabric and political stability. Only one in three of the workforce has stable employment and 300,000 persons are entering the job market each year.

3—There is an enormous imbalance in the distribution of resources both between the coast, the Andean plateau and the jungle areas, and between town and country.

Concentrated in the capital is 68 per cent of manufacturing capacity, 75 per cent of the economically active population and 96 per cent of Peruvian private investment, Lima acting as an evergrowing magnet.

4—Peru possesses a huge illicit drugs business, based round coca production that injects some US$800m into the economy. The need to substitute such income places a heavy burden on the state.

The drugs business itself acts as the motor for the largest "informal" or parallel economy in Latin America, ranging from Lima's 90,000 street vendors to whole illegal new towns, known as "pueblos jovenes."

5—Peru is facing a serious threat of internal subversion from the terrorist activities of the fanatical Maoist guerrilla group, Senero Luminoso((Shinging path). Since 1980 more than 10,000 persons have been killed in nihilistic violence by the Senderos whose philosophy is aimed at destroying the state in the style of Cambodia's Pol Pot.

All these elements were allowed to deteriorate in the last year of the outgoing administration of President Belaunde — including the accumulation of debt arrears. President Belaunde's main objective was to hand over power in a democratic election. This at least he did, the first such democratic transfer in 40 years.

Mr Garcia as the candidate of the main opposition party, the American Popular Revolutionary Alliance (APRA), won 46 per cent of the vote. His closest rival was Dr Alfonson Barrantes the energetic Marxist mayor of Lima, heading a leftist coalition (IU) who obtained 21 per cent of the vote.

At the age of 36, Latin America's youngest leader, President Garcia inherited a country that was sliding towards social conflict, economic chaos and ungovernability. From the outset he has displayed a messianic sense of mission to put right Peru's failure and a determination to demonstrate that APRA could be a party of government.

The party, founded in 1924 as a pan-American anti-imperialist movement, had never been in government. Peruvian voters and the powerful military had been wary of its particular blend of radical nationalism.

Since becoming the party's leader in 1982, Mr Garcia has given it a more social democrat image but the founding principles of national independence and anti-imperialism remain influential and help explain his current leadership.

He and his advisers decided that the new Government could only gain credibility and ensure political stability by initiating a programme of economic recovery. "To continue with recessionary policies would have played into the hands of Sendero," says Mr Daniel Carbonetto, the President's most influential economic adviser.

To do this meant going against the IMF's recipe of heavy devaluation, import liberalisation, raising interest rates and cutting public sector spending—as well as complying with debt service obligations. The Government realised that adopting unorthodox economic policies would alienate the international financial community and furthermore the sole way of ensuring adequate funding was to withhold debt payment.

"We knew what we were doing," Mr Saberbein says, "We recognise that the creditors have rights, but we also have our own sovereign interests."

In a meeting with President Alfonsin of Argentina, just before taking office, Mr Garcia is said to have been counselled to the effect: If you are going to adopt drastic economic measures do so immediately. President Alfonsin had demurred 18 months to his cost. During his first week in office President Garcia introduced an emergency plan most of whose measures are still in force today.

He raised public sector wages, upped the minimum wage, sharply improved argicultural support prices and slashed interest rates. This was counterbalanced by raising utility tariffs, then freezing prices with an accompanying devaluation and a commitment to hold a fixed exchange rate for at least a year.

Public sector spending was carefully scrutinised and the military's previously sacrosanct budget was among the first to go.

The purchase of 26 Mirage fighters from France was cut to 12, and now payment is being denied on a $350m refit of a navy cruiser in a Dutch shipyard. President Garcia has likened the task to dealing with one of the many ageing cars in Lima—everyone has to get out and shove to make it move.

The result after the first year, even discounting the cushion provided by reduced payment of foreign debt has been impressive. The economy is growing at close to six per cent, industrial employment has risen 3.9 per cent and 20 per cent more agricultural land is under seed. Wages in real terms have risen seven per cent.

Inflation has been brought down from 12 per cent a month to four per cent and the unhealthy "dollarisation" of the economy caused by the public hedging against inflation, has been sharply reduced.

The central bank has been extremely prudent in its monetary policy and the public sector deficit, without foreign debt payment, has been held down to three per cent GDP. Private sector companies have seen their financial stability restored and have substantial liquidity. The same, however, cannot be said yet for the 230 state companies whose losses account for almost five per cent of GDP.

Surrounded by a group of dedicated young tacticians, President Garcia has also begun to tackle some of the basic problems of Peru's under development, and a new emphasis has been placed on improving public health. A conscious effort is being made to break down the traditional cultural, ethnic and economic barriers between the richer coastal zone, the quechua-speaking Andean highlands and the jungle areas on the other side of this formidable mountain range.

Relations between Peru and its international creditors are now coming to a head as a result of President Garcia's decision in Lima to ignore warnings from the International Monetary Fund and to pay only $35m on arrears of $170m

In the highlands, especially in the Ayacucho region which is the original base of the Sendero Luminoso, the traditional Indian communities have been recognised for the first time and given a legal status separate from local councils.

The administration of agricultural credit and advice is being decentralised. By boosting peasant incomes it is hoped to weaken Sendero's base in the countryside and to stem the tide of emigration which has made the capital so dominant.

Almost thinking aloud the other day, President Garcia urged serious consideration be given to moving the capital north to Huancayo, so providing greater unity between ethnicity and geography.

"In Peru we have never really been one nation," said Mr Carlos Franco, the President's adviser on rural development. "Unlike Europe where the nation made the state, here the state is trying to make the nation."

This is where President Garcia's vision of revitalising Peru has come most forcefully into play. He has provided a sense of leadership and purpose that has lifted national morale. Not even his critics gainsay this.

More than six foot three tall, he strides larger than life across the Peruvian stage. He has a born politician's touch for the popular gesture and revels in appearing unannounced in public places, though fears for his security have limited such activity in recent months.

Injecting an almost puritan ethic into public life, he has begun cleaning up a very corrupt administration and carried out wholesale purges on suspect members of the police and armed forces. He has been unafraid to declare war on the drug bands, most recently ordering the air force in to bomb cocaine factories in the jungle.

The military have also been told to pay less attention to the prospect of hostilities with the traditional enemies of Chile and Ecuador; and the Foreign Ministry has made important efforts to lessen historic tensions with these two countries. But in Latin America as a whole President Garcia's projection of anti-imperialism and non-alignment has created more noise than effect.

Nevertheless it is worth underlining that Peru is one of the most genuinely non-aligned of all Latin American countries (since the Seventies the Peruvian military have bought extensive Soviet equipment and the Soviet bloc debt of $1.2bn largely represents this).

At home, President Garcia is a glutton for work. Ministers and advisers are hauled to the palace at all hours of day and night, and he uses the personal phone call like a sergeant major's stick. Although impatient with Opposition, he has scrupulously respected Parliament and has undoubtedly invigorated the body politic.

Nevertheless, it is a highly personalised system of government. The sole minister who has created a margin of manoeuvre is the Prime Minister, Mr Alva Castro, who also has presidential ambitions.

So far President Garcia has maintained and, if anything, increased his popularity. Proof of his standing has been demonstrated by the relatively little damage done to his image by the massacre of up to 400 prisoners (mostly members of Sendero) in three Lima prisons where riots took place in June. This appalling incident for which the security forces have received the full blame was fully debated earlier this month in Parliament. An Opposition motion of censure however failed.

The incident all the same has exposed his poor relations with the armed forces who remain confused as to how to deal with the guerrilla phenomenon.

The military do not yet understand how they should fight a war against a vicious enemy and yet observe human rights. The level of violence remains disturbingly high even though there has been a curfew in force in Lima since March. This is attributed to the military feeling inhibited in going on to the offensive, and in turn Sendero has been able to extend his activity especially in the south round Puno.

The military's reaction to the spread of Sendero activity was the gaol massacres—on whose orders it is still not clear.

The chinks in President Garcia's armour are his erratic bursts of behaviour, a certain arrogance and an obsession with his own popularity. For instance in August 1985 he rescinded without consultation, the announcement coming in a public rally, the operating contracts of the three foreign oil companies.

One of these, Belco, is now pulling out having failed to agree terms to continue operation. Peru desperately needs foreign investment in oil exploration. Oil is a vital export, and without a minimum $400m invested a year in new exploration the country could become a net importer within three years.

On its own, Peru cannot find such funds: yet President Garcia's action has frightened the oil companies in particular and foreign investors as a whole.

The President's gut anti-imperialism has led him to under-estimate the degree of understanding in the international community for Peru's plight. For instance the US Administration has not taken kindly to Peru's stand on debt, but in public Washington has been restrained in any criticism. By being overly confrontational, President Garcia's critics believe he weakens rather than increases the validity of Peru being a special case.

The battle with the IMF furthermore risks self-inflicting wounds. In August Peru possessed reserves of $1.2bn, sufficient to pay the IMF and stay within the international system. The refusal to pay was one of principle, coupled with a belief that the IDB and World Bank would still come through with some $1bn in outstanding credits.

This is no longer being taken so much for granted and there appears to be a reassessment of tactics. Some advisers to the President still argue that Peru should go it alone adopting autarchic economic policies. Others want to keep Peru within the system fully conscious of the frailty of the current consumption-led boom, fed as it is by non-payment of debt.

Uncomfortable decisions lie ahead that will almost certainly end President Garcia's political virginity. The emergency economic package needs to be revised to avoid distortions which are developing, especially over price controls and the fixed exchange rate. However no major moves are likely until after the November elections. In particular any claimed climb down by President Garcia on the debt issue before the elections would provide ample ammunition for the left.

This means that Peru is likely to plead for more patience from its creditors, holding out the hope of concessions and greater accommodation in the New Year.

Debt arrears and projected payments 1985/86 ($m)

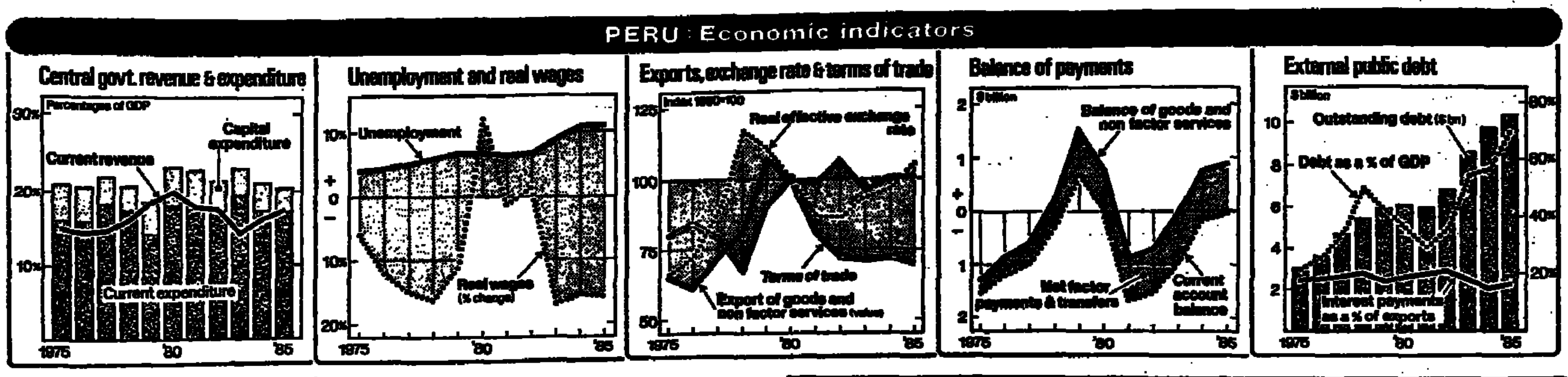
	Arrears '85			Arrears '86			
	Principal	Interest	Total	Principal	Interest	Total	Payments
Agencies/Governments	215	151	367	313	210	523	95
International Banks	806	341	1.147	1.312	499	1,811	17.8*
International Organisations	1	2	3	—	—	—	125
Socialist Bloc	58	56	114	159	98	257	22
Suppliers	605	343	948	1,026	481	1,507	83
Total	1,605	894	2,579	2,810	1,288	4,098	342.8

* This payment in April is not included in official figures. Also excluded are barter deals with the Socialist bloc believed to be worth $130m.

Source: Ministry of Finance and Central Bank.

CONTENTS

PERU 2



Economy

Difficult choices ahead

THE EMERGENCY economic package introduced by the Alan Garcia administration in July 1985 has worked better than even its proponents had dared to hope.

A real rise in wages has encouraged a consumer-led recovery against a background of lower interest rates, a fixed parity of the inti against the dollar and price controls. Inflation has been sharply reduced, down to 80 per cent, public spending held in check through *slashing unnecessary projects* and cuts in the military procurement budget. Industrial capacity, long below 50 per cent, has taken up the slack.

These achievements are the result of emergency measures, and the Government now has to face difficult choices over the future of exchange rates, price controls and the question of mobilisation savings.

The consumer-led boom has been possible because of the deliberate policy of limiting interest payments on the public sector slice of Peru's *$13.7bn* foreign debt to 10 per cent of export earnings.

As of July, payment was stopped for two years on all private sector debt. Pursuit of this policy risks further complicating Peru's tense relations with *its* international creditors and limiting even more the flow of funds from abroad.

"We have adopted heterodox solutions," said Mr Daniel Carbonetto, chief economic adviser to the President. The July 85 emergency plan owed elements to Argentina's Austral plan. But the great difference was President Garcia's insistence on growth from the start and without any agreement with the IMF on economic policy.

The President's predecessors had adopted a short-lived International Monetary Fund standby programme in April 1984 which had plunged the economy further into recession.

The recession had been due to a combination of debt service burden, lower prices for Peru's principal export commodities and the vagaries of the El Nino current which in 1983 caused climatic changes that produced serious flooding in the north and drought in the south.

By 1985 GDP had fallen 20 per cent to the levels of the *mid-1960s*, with per capita income of $850. Real wages had dropped 50 per cent in five years. As little as one third of the 6.2m work force enjoyed stable employment, with as many as 40 per cent working in the "parallel" or informal economy.

A feature of Peru's high inflation, running at almost 12 per cent a month in July 1985, was the "dollarisation" of the economy. Individuals and corporations switched to dollars as a hedge against inflation and also because dollar deposits attracted better interest. By mid-1985 over 60 per cent of all deposits were in dollars.

The July 1985 plan, still in force, had three broad objectives — to raise basic wages, so activating the recovery; to curb inflation and encourage private sector confidence; and to begin closing the gap between rural and urban Peru.

Civil servants' wages were raised 15 per cent and the minimum wage was increased 50 per cent. Wage rises were accompanied by a price freeze which lasted rigidly until March and since then has only been partially relaxed. Interest rates were brought down in three stages to 40 per cent against 280 per cent in July 1985.

The inti was devalued by a fixed 12 per cent and to mop up dollars a new parallel rate was established with a 25 per cent differential at *17.5 intis to the* dollar. Dollar deposits were frozen for 90 days, a period subsequently extended.

The squeeze on dollars has reduced the amount of foreign currency deposits to 28 per cent of the total. This in turn has obliged the central bank to print more intis but as a whole monetary control from the central bank has been prudent.

To hold down public sector spending a number of projects were shelved and sharp cuts were made in the military budget. The military has traditionally enjoyed between $500m-$600m in hard currency for equipment purchases. This has been cut by a fifth.

Non-payment of the foreign debt has been the Government's biggest relief and effective source of funds. The Belaunde administration was latterly accumulating arrears and only paying selectively.

By the end of 1985 arrears of principal and interest stood at $2.5bn. By December this year the figure is likely to be $4bn with only some $350m or less being paid out. Even so, this is above the declared 10 per cent of export earnings.

Holding back debt payments *has allowed the reserves to* build up and pay for increased imports. The latter rose 17 per cent to $2.1bn. Reserves which reached a high of $1.4bn in March have since fallen by over $200m, and could fall further because of lower projected earnings from oil and copper to the tune of $350m.

With this year's export earnings likely to be $2.4bn, the trade balance will be reduced by more than a quarter. The *main increase in imports has* been in basic foodstuffs reflecting the new level of popular consumption sparked by 7 to 8 per cent real wage increases, and a 30 per cent rise in industrial input.

Economic recovery has been uneven. The main surge has been in the manufacturing sector. In the past 12 months manufacturing has increased output 12 per cent and more than 70 per cent of capacity is now being utilised. Overall growth this year is projected to be between 5 and 6 per cent —marginally higher than originally anticipated.

The Government recognises its emergency policies cannot continue indefinitely. For instance, moves are now being made to move from the price freeze to a three-tier system of limited price freezes, regulated prices and "reference prices."

The main difficulty will be finding the means to convert the current consumer boom into a broader based economic recovery that can tackle Peru's chronic unemployment and regional imbalances.

At best there will be limited foreign funds for the near future. "The emphasis will have to be on mobilising domestic resources especially as export earnings are not expected to rise significantly," said Mr Carbonetto. For instance, the current account balance for this year of a $640m deficit is expected to vary little next year, as is the overall balance of payments. (A deficit of $56m in 1987 against a deficit of $232m this year.)

The most interesting development in mobilising resources has ben the Government's reassessment of the role of the private sector. Rather than rely upon the 230 state companies to generate employment and new economic activity, the Government sees the private sector as the long-term motor of recovery.

Companies would be offered tax breaks, concessions on prices and subsidised credit in return for investment commitments that tap these companies' liquidity, reckoned to total around $800m. "The response so far has been surprisingly positive," says Mr Carbonetto.

Robert Graham

Major Exports

Product	1st half 1986	1st half 1985	Variation (%)	1985	1984	Variation (%)
Fishmeal	79.1	56.5	+ 40	116.7	137.3	− 15
Volume (000 mt)	292.0	234.2	+ 25	499.4	401.0	+ 25
Price (US$/mt)	270.7	241.3	+ 12	233.7	342.4	− 32
Cotton	16.4	19.5	− 16	52.2	22.8	+129
Volume (000 quintal)	213.5	246.2	− 13	633.5	246.0	+157
Price (US$/quintal)	77.1	79.1	− 3	82.4	92.5	− 11
Coffee	143.6	52.5	+176	151.5	126.0	+ 20
Volume (000 mt)	38.2	20.8	+ 83	60.1	51.4	+ 17
Price (US$/quintal)	172.8	114.7	+ 51	116.1	112.7	+ 3
Sugar	9.4	12.1	− 22	24.8	48.8	− 49
Volume (000 mt)	23.9	31.8	− 25	64.6	115.9	− 44
Price (US$/quintal)	18.1	17.5	+ 3	17.7	19.4	− 9
Copper*	228.9	225.8	+ 1	464.3	441.9	+ 5
Volume (000 mt)	174.0	173.1	+ 1	353.9	337.2	+ 5
Price (US$ cents/lb)	59.7	59.2	+ 1	59.5	59.4	0
Iron	26.7	31.7	− 16	72.8	57.9	+ 26
Volume (000,000 long tons)	1.9	2.3	− 15	4.8	4.1	+ 16
Price (US$/long ton)	13.7	13.9	− 1	15.2	14.1	+ 8
Gold	5.5	20.0	− 73	42.9	67.0	− 36
Volume (000 troy oz)	16.4	62.9	− 74	134.9	182.4	− 26
Price (US$/troy oz)	333.5	318.1	+ 5	318.0	367.3	− 13
Refined silver	52.3	68.2	− 13	139.4	227.4	− 39
Volume (troy oz millions)	8.8	10.8	− 18	22.4	26.8	− 16
Price (US$/troy oz)	5.9	6.3	− 6	6.2	8.5	− 27
Lead*	81.0	93.0	− 13	200.3	233.1	− 14
Volume (000 mt)	70.9	87.0	− 19	171.3	180.2	− 5
Price (US$ cents/lb)	51.9	48.5	+ 7	53.0	58.6	− 10
Zinc	97.4	146.4	− 13	268.7	340.7	− 21
Volume (000 mt)	235.9	231.6	+ 2	461.0	511.9	− 10
Price (US$ cents/lb)	18.7	28.7	− 35	26.4	30.2	− 13
Petroleum and derivatives	128.4	323.4	− 60	645.5	618.3	+ 4
Volume (bbl millions)	10.7	12.9	− 16	27.0	23.5	+ 15
Price (US$/bbl)	12.0	25.2	− 52	23.9	26.3	− 9
Others†	30.7	43.0	− 29	68.2	99.6	− 32
NON-TRADITIONAL	302.8	361.6	− 16	718.9	726.3	− 1
TOTAL VALUE	1,202.1	1,453.3	− 17	2,966.2	3,147.1	− 6

* Includes silver content. † Mainly minor metals.

Source: Central Reserve Bank.

Gross Domestic Product

(Index, 1979 = 100)

	1st quarter	2nd quarter	3rd quarter	4th quarter
1981	3.2	13.7	17.9	− 1.5
1982	8.6	10.4	− 8.8	1.4
1983	5.2	−16.8	−14.2	0.3
1984	0.3	4.3	23.6	16.9
1985	6.3	10.7	− 3.8	− 3.1
1986	− 0.2	0.4		

Source: Ministry of Economy.

Banking

Interest rate adjustments

BANKING HAS been one of the most regulated sectors of the economy under the Government of President Alan Garcia and given the status of Peru's relationship with its international creditors, is likely to continue so for the foreseeable future.

At the same time with the drying up of foreign funds, the banks are being called upon to play a crucial part in the mobilisation of resources for investment.

In a system where private commercial banks account for 42 per cent of total deposits, it is significant that this regulation has been accepted with little public fuss. In part this is because the banks have been encouraged to believe that the private *sector* and private enterprise have an important role to play in revitalising the economy.

Last year the banks also *profited from high interest rates* and foreign exchange dealing (at least until July), and because this year, though margins have been squeezed, domestic business has improved in the government-stimulated consumer boom.

One of the first moves by the Garcia administration was to cut interest rates and reduce *spreads. Just before taking* office in July 1985, inflation was running close to 300 per cent on an annualised basis. Then the banks were offering 143 per cent for 180-day deposits and lending at 285 per cent for periods up to 90 days.

Over the next three months lending rates were cut and spreads progressively reduced in three stages—first to 110 per cent, then 75 per cent and finally 45 per cent. By October last year real lending rates were equivalent to 1.7 per cent *against over 10 per cent earlier* in the year.

Meanwhile, interest on deposits had fallen by October to 32 per cent. Although this was still negative in relation to inflation (by 6.9 per cent), it was more than five times better a return than in July before the new administration took over.

This year there has been a further adjustment with the lending rate cut to 40 per cent and the deposit rate raised marginally to 33.4 per cent. With inflation projected to be 80 per cent for the year these are probably the most negative interest rates prevailing in Latin America.

Parallel with these interest rate adjustments, banks *have* had their liquidity squeezed. The ratio of deposits they are obliged to place with the Central Bank has been sharply raised.

In the case of soles/intis (the domestic currency) the rate has been raised from 50 per cent to 75 per cent, and with foreign currency, basically dollars, it is now up at 90 per cent.

The latter move was part of a concerted campaign by the Government to "de-dollarise" the economy. During the final *18 months* of the Belaunde government as inflation soared, banks, corporations and private individuals switched increasingly from soles to dollars as a hedge.

Thus at the end of 1984 almost 64 per cent of sight deposits were in foreign currency. By last December this had fallen to 46 per cent, and by July this year was down to 28 per cent.

The draining of dollars on such a scale from the financial system has obliged the Government to print more money. In 1985 overall liquidity in soles/intis increased 219 per cent in nominal terms. Nevertheless, the amount of money available to the financial system contracted 14 per cent. Not surprisingly in this environment bank deposits have declined.

The decline has not just been because of unattractive interest rates. More cash has been held by the public for consumer spending. At the same time the commercial banks have faced strong competition from the 10 finance corporations and Cofide, the state development finance corporation.

There are six private commercial banks — Crédito, Wiese, Lima, Extebandes, Mercantil and Commercio in order of size. Crédito is by far the largest accounting for 27 per cent of deposits in the banking system.

Its nearest private rival is Wiese, still controlled by the Wiese family, and accounting for 6.5 per cent of deposits.

Foreign banks control two other private commercial banks: Lima (Credit Lyonnais) and Extebandes (Spain's Banco Exterior). Commercio, though considered a private bank, is 50 per cent state-owned.

Six *foreign* banks have branch operations in Peru but account for less than 5 per cent of total deposits — Bank of Tokyo, Citibank, Bank of America, Bolsa, Chase and most recently Spain's Banco Central.

State banks meanwhile account for just under half of all deposits. There are three main state-run commercial banks — Continental, Popular and Interbanc. These are backed up by six state run regional banks.

By far the largest of the state commercial banks is Continental accounting *for 20 per cent of all deposits*. The state presence reflects less a desire by government to be present in this sector and much more force of circumstances to ensure the survival of financial institutions when faced with substantial losses.

This has been the case most recently of Continental and Popular. Popular in the past two years has lost close to $100m, reflecting the difficulties faced by some of the banks which over-extended themselves especially in property and were overtaken by the severe recession.

The accumulated effects of recession once again saw nearly all the banks last year making *substantial provisions* for doubtful loans. Popular, for instance, made bad loan provisions equivalent to 35 per cent of its portfolio. The average for all 24 banks was 10 per cent.

Such provisions seriously limited profits which totalled only $8.4m for all the banks. Nevertheless, this was an improvement on the $23m net loss of the previous year. The real profits in 1985, however, were thought to have been higher since a number of the private banks at least preferred to put *funds into reserves and loan* loss provisions than into the bottom line.

Robert Graham

Debt

An impasse that is difficult to resolve

WITH A TOTAL foreign debt of some $14bn, Peru ranks as a medium to small-sized debtor among the developing countries of Latin America. Yet its problems are one of the most talked about in the whole region, and the debate on Peru's debt has had a profound impact on the intellectual approach to the debt crisis taken by debtors and creditors alike.

This is not just because of the outspoken rhetoric of President Alan Garcia who rails against the West for its "domination, imperialism and the exploitation of the unjust distribution of the world's wealth." More important is that the underlying situation facing Peru epitomises the central issues of the debt crisis at just about their clearest and most acute.

At its core is a prolonged period of weak economic growth against a background of domestic political instability. At the height of the Latin American recession in 1983 Peru's economic output contracted in real terms by a full 12 per cent, the worst performance of any country in the region. Though growth is now once again positive, the ground lost then is still a long way *from being made up.*

At the same time Peru is also suffering from the low world market prices for the oil and minerals which make up 80 per cent of its exports. This year its trade surplus is expected to be no more than half of last year's $1.1bn, and exports are expected to shrink to $2.5bn from almost $3bn in 1985.

Even without the political stridency which overlays President Garcia's approach to the debt crisis, it is hard to imagine any government in this situation being happy to spend scarce resources servicing its foreign debt instead of concentrating on the primary imperative of restoring and maintaining living standards and economic growth at home.

Looked at from a Peruvian perspective, there is scarcely any choice in the matter, however much commercial bank creditors may take a different view.

Yet when he announced, on taking office last year, that Peru would limit debt service payments on medium and long-term debt to just 10 per cent of exports, President Garcia provoked a storm of protest from his bankers. The problem was not so much that Peru's failure to meet its interest obligations in full would compel them to write down their exposure—it is small enough for such write-downs to be easily affordable—but more that he was setting a bad example which other, more heavily indebted countries, would surely be tempted to follow.

There followed a concerted attempt to isolate Peru and brand it as a pariah. In an attempt to stifle its trading opportunities bank lenders cut back their trade credit lines to the country to just about a third of their $850m level outstanding at the time the debt crisis broke.

The hope was that other governments who might feel tempted to follow the same route would see the folly of their ways and back off from an option that, from the creditors' point of view, was simply not acceptable.

Initially this approach seemed to be working. Mr Luis Alva Castro, the Prime Minister, was loudly applauded for a speech attacking the International Monetary Fund at its annual meeting in Seoul last year, but privately many Latin American officials dubbed his approach as misguided and naive. Since then, however, the mood has changed, and the concept introduced by Peru that a country should pay to its creditors only what it can afford has found its echo elsewhere.

First Nigeria said it wanted to limit debt service to 30 per cent of exports. Then, as the US economy slowed and commodity prices weakened, other countries followed suit. As early as last February Mexico said it wanted its creditors to share some of the burden of falling oil prices.

Now Brazil says it wants to limit debt service to 2.5 per cent of gross domestic product.

This is not to say that President Garcia's approach has *got his country very far.* Peru has received little in the way of new foreign credit since he took office. Mounting arrears to the International Monetary Fund provoked that organisation to declare Peru ineligible for further borrowings in August, and, though the internal economy is now growing at a fairly respectable rate, the strains are beginning to show as inflation picks up and foreign exchange reserves are dwindling fast. Now some $1.2bn, they are expected to slide by a further $400m by the end of the year.

Throughout the latest crisis Peru has been careful to avoid an outright default on its debt. Its policy is that it will repay its creditors — when it can. At the end of this month Mr Gustavo Saberbein, the country's chief foreign debt negotiator, is due to present bank creditors with a new set of rescheduling proposals. These are expected to include demands for vast concessions, reducing interest rates and stretching out repayment schedules for decades.

As long as Peru remains in arrears to the IMF (by *SDR 132m at the time of the* ineligibility declaration) and to commercial banks by some $500m, the only response expected from creditors to these demands will be to call for a resumption of normal relations with the IMF and for arrears to be wound down.

In other words Peru's debt problems have now reached an impasse which will be extremely difficult to resolove.

The orthodox solution would be for the country to seek an IMF standby agreement that could form the basis for a rescheduling agreement and the resumption of external credit flows. That is hardly possible given President Garcia's extreme hostility to the IMF itself.

Yet it is also clear that the domestic economic recovery cannot be sustained indefinitely, given the inflation problem and continuing strains on the balance of payments. Moreover Peruvian officials say they would be reluctant to adopt a solution that implies increasing the country's foreign debt even further.

So what should Peru and its creditors do next? It is clear that the IMF itself was very reluctant to take the step of declaring the country ineligible for further borrowings.

In announcing its decision the IMF also went out of its way to underline its hope that the move would not be permanent. Its board said it would review Peru's position again within six months at the latest.

That should give time for both sides to explore whether there is room for a compromise.

Yet strong political feeling within Peru itself militates against such a compromise.

Acute though they are, Peru's economic problems are not fundamentally that different from those of many other indebted developing countries. Sooner or later the West will have to recognise that its approach to the whole problem has been wrong, and then Peru will be able to share in a new and different solution, they say.

This is a disappointment for bank creditors who had earlier detected signs of a shift to a less hostile stance by the Peruvian Government. During this summer creditors had hoped that the 10 per cent limit on debt service payments might be increased after President Garcia had completed his first year in office.

In the event the restrictions were made even tighter as the President entered his second year. The 10 per cent figure was kept in place but, with the reserves dropping, the Government also ordered a two-year suspension of all profit remittances by foreign corporations and on servicing the $1.5bn debt of the private sector.

The table shows how Peru's foreign debt has traded down in the secondary bank credit market to a level where it is now worth little more than 20 per cent of its face value.

Peru's problems may be typical of those of a debt-ridden developing country at their most acute. Perhaps the most worrying aspect of all is that, equally typically, no one has yet come up with a satisfactory long-term solution.

Peter Montagnon

Structure of the external debt

(US$m)	1975	1981	1982	1983	1984	1985*
Long term	4,352	8,173	9,280	11,007	12,059	12,687
% of total	69.4	84.4	80.4	87.9	90.1	91.8
Public sector	3,066	6,665	7,615	9,427	10,593	11,335
Private sector	1,286	1,508	1,665	1,580	1,466	1,342
Short term (public and private sectors)	1,905	1,516	2,268	1,513	1,330	1,117
% of total	30.4	15.6	19.6	12.1	9.9	8.1
Gross external debt	6,274	9,689	11,548	12,520	13,389	13,794
% of nominal GDP	56.7	48.7	54.1	63.8	62.6	61.3

Total: Average yearly variation (compounded) 1975-1985: + 8.2%.

* Preliminary.

Secondary market value of Latin American bank credit

	Percentage of face value					
	Feb 1985	June 1985	Oct 1985	Jan 1986	April 1986	July 1986
Argentina	70-72	60-65	63-67	62-66	60	66
Brazil	n.a.	75-81	75-83	75-81	70	76
Chile	67-68	65-69	67-71	65-69	60	67
Colombia	n.a.	81-83	n.a.	82-84	n.a.	83
Ecuador	n.a.	65-70	n.a.	68-71	60	65
Mexico	81-82	80-82	78-82	68-72	50-60	56
Peru	60-61	45-50	32-36	25-30	20	20-23
Venezuela	78-79	81-83	81-84	80-82	70-80	75

Source: Finance Ministry, Lima.

A woollen textile mill in Arequipa. About US$80m will be invested in the sector during the next 18 months

Industry

Big investment starts

PERU'S manufacturing industry, riding on a wave of consumer buying after a four-year recession, is beginning to expand partly at the urging of President Garcia's Government.

Some of the biggest investments are being made in textiles where the industry ministry expects companies to spend US$80m over the next 18 months. But companies are also expanding production in construction materials, food and drink products, motor vehicle assembly and projects for agro-industry to meet growing local demand and increase export revenue.

Economists say that growth will be limited by foreign currency shortages as Peru's international reserves continue to fall. But the Minister of Industry and Commerce, Mr Manuel Romero Caro, says that the increasing use of national inputs, reduction of high stocks and a projected cutback in "nuts and bolts assembly" especially of "hundreds of TV sets being assembled all over the country" will avoid a drain on reserves.

Mr Romero thinks that there is not likely to be pressure for import of machinery and equipment at least through 1987 because industry in general is operating at an average 70 per cent of installed capacity.

The manufacturing industry grew by 15.8 per cent in the first half of this year compared with the same period of 1985, without including oil and metals refining which, through a fall in production, brought total growth in industry to 8.1 per cent. Manufacturing has averaged 23 per cent of Gross Domestic Product for the past five years.

A top level government commission *has been meeting for* the past month with some of the country's main industrial groups to discuss incentives and in some cases, detailed plans for new investment mainly in industry using Peru's natural resources.

Incentives being discussed include tax credits, concessionary financing and more *flexibility in prices, at present* controlled.

The textile industry using quality Peruvian tanguis and pima cotton is a section of industry that the Government wants to promote. Agreed investments include expansion mainly for export of CIA Textil el Progreso's cotton spinning plant which is spending $4m to *increase capacity by one-quarter* to 33,000 spindles from 25,000. La Fabril's (a subsidiary of Bunge Born of Buenos Aires) Cia Textil Trujillo (Trutex) is doubling capacity with an investment of $12m and the Romero group Textil Piura, is increasing capacity by half to 50,000 spindles.

Fabrica de Tejidos la Union, one of the *biggest* textile factories in the cotton yarn and garments business is also expanding with a new 4m cu metre plant as well as installation of cotton mills to process its raw material and plans to move into production of alpaca cloth and garments.

Additionally Bayer, in a joint venture in which the state holds 30 per cent, is increasing capacity of acrylic fibres to 30,000 spindles.

The Government has encouraged companies to take on more workers *and has also* changed the agrarian reform law to allow companies concessions to uncultivated land of up to 150 hectares. One of the first investors to take advantage of this is La Fabril, investing up to $12m in Pecuario Pisco, a pork plant, to start with the import of 1,000 Australian pigs.

Foreign investment in industry *has declined over the past* 18 years since the nationalisation in the late 1960s and early 1970s of oil-refining fish-meal production, the sugar industry and most large mining operations. The effects of Andean pact restrictions have caused part of the decline. However, the main foreign companies registered with Conite, the foreign investment arm of the finance ministry, include Nestlé, Philips, and Bayer which has a pharmaceutical laboratory as well as the acrylic fibre plant.

Smaller manufacturing companies include Reckitts and Coleman, Matsushita Electrical Industrial Company (National), Goodrich and Goodyear (tyres), Procter & Gamble, and Pirelli.

Foreign companies dominate motor vehicle assembly where the already small market was further reduced between 1980 and 1985 by competition from imports. Assembly of Toyota, Nissan, Volkswagen and Volvo (heavy trucks and buses) fell below 10,000 units over the past three years compared with a peak of 22,000 in 1982.

Doreen Gillespie

Agriculture

Food imports rise sharply

FEEDING PERU's population has become a highly charged political issue. President Alan Garcia made agriculture one of his top priorities, but, as the Government has been quick to point out, the problems of 15 years cannot be resolved in 12 months.

The immediate worry is to guarantee food supplies — especially in Lima — and this means a big increase in imports. So much so that the Minister of Agriculture has been dubbed "The Minister of Imports" by the opposition.

For over 20 years agricultural production has failed to keep pace with population growth. The area sown with Peru's principal crops shrank by about 10 per cent between 1970 and 1985 according to the Government's figures, while yields for sugar, cotton and other products were also down. Agriculture's share of Gross Domestic Product fell from 15 per cent to 11 per cent during the same period, and its contribution to export earnings was down to 10 per cent by 1985.

Although the volume of imports doubled during the 1970s, the supply of food dropped by 120 kg a head from 1970 to 1985 — inflation had eroded family incomes so far that people were eating less. The Government expects to spend over US$380m on imports this year, helping to restore consumption levels.

The most important food items are wheat (over 1m tonnes), vegetable oils, maize, rice and powdered milk, but the import list includes sugar (so that Peru can fulfil its export quota to the US), meat and potatoes.

With the current foreign exchange shortage, subsidised imports are seen as a short-term solution to the food problem. The Government has begun a "reactivation programme" designed to provide greater incentives for farmers, including more generous support prices and credit at very low interest rates.

As many consumer prices are being kept down, subsidising the difference will remain a steady drain on the Treasury. Some US$220m have been made available to the new reactivation fund, which is to become a permanent instrument for promoting agricultural development.

The Minister of Agriculture, Remigio Morales Bermudez, says producers have already responded to the new pricing policy by planting an extra 113,000 hectares. This will boost local food supplies and contribute to a 3 per cent growth in output for 1986. However many are sceptical of the Ministry's figures, and it is clear that climate and other factors have played a large part in encouraging certain crops.

Over the past three years floods and droughts in different regions had affected rice, sugar, potatoes and livestock production.

Despite a strong commitment to decentralisation, the Government is being slow to articulate a strategy for dealing with longer-term problems in the countryside, says Mr Morales Bermudez. "Our principal problem is that every region is different and there are so many types of organisation and systems of production for each crop. Who does one talk to? Agriculture is very politicised, and it is hard to make general policies, and get agreements from such a variety of producers."

"Agrarian reform was imposed from above, and an attempt was made to regiment by law something that is not all homogeneous. It should not be just a question of land, but of productive structures too."

The land reform of the 1970s has left some complex tenancy problems in its wake. Many of the coastal co-operatives have already been "parcelled" off to individuals, but the co-operative's debts to the Agrarian Bank remain. In the highlands, peasant communities grouped into state farming organisations are at war with their administrators.

The difficulty of providing credit, marketing channels and technical assistance in this context leaves the experts shaking their heads pessimistically, especially because, as one expert put it "rural areas have been decapitalised in human terms too, and the ministry's capacity at the local level is very limited."

The Government has instituted the "Rimanakuy" as a way of getting into direct contact with grass-roots organisations. This is a kind of talk-in between government representatives (including the President himself on some occasions) and local leaders, held in different parts of the country.

"The peasant communities have been abandoned, governments have never had a presence in some of these areas. One of the most important things is to give people hope."

Mr Morales Bermudez believes this approach will help keep people in rural areas, and a study of the relation between agriculture, household income and migration is being carried out as a guide for future policy.

Transferring resources to the countryside is by no means a new concept, but the areas benefiting under the Government are those most neglected by the last. President Belaunde gave great importance to infrastructure and roads as a way of developing agriculture, particularly in the Amazon region. Now there's less investment in spectacular public works, and more in improving what we have and in small scale projects," says Dr Julio Paz, analyst and adviser on ministry policies.

"It is no good trying to sell expensive foreign technology to peasant farmers — we must give value to techniques they already understand, and work on those."

Pilot projects in the Andes mountains have already shown just how effective indigenous technology can be. Simple bench terraces which help to conserve soil and retain water, have led to sharp increases in productivity. The housing ministry is also planning to invest in rebuilding Inca terrace systems and irrigation canals.

But in many parts of the arid highlands the environment is too hostile for anything but extensive grazing, and here animal health and improved pasture can help. Alpaca wool is one of the few upland agricultural exports with expansion prospects.

The emphasis on Andean, rather than Amazon, agriculture reflects the government's strategy for combating poverty and violence. Although the Amazon area devoted to farming has been growing rapidly, and rice, coffee, cocoa and tobacco plantations are well established, yields are low even by Peruvian standards.

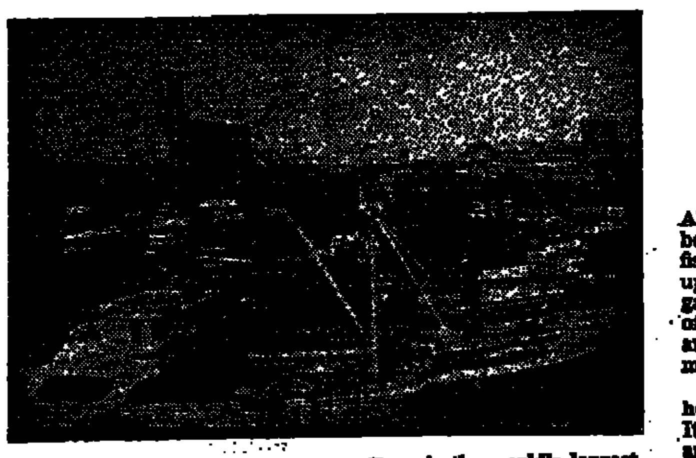
To offset distance and high transport costs to the main population centres, productivity would have to increase enormously, according to Dr Julio Paz. The coastal oases are still Lima's larder and the focus for commercial farming.

Agricultural exports earned between US$230m and $300m a year during the early Eighties, rising to $326m in 1985. Coffee income reached $150m in 1985 and should be over $250m in 1986, while cotton recovered during the first half of the year. Non-traditional exports such as asparagus, cochineal, fruit and nuts contribute very little as yet, but some private investment is going into agro-industrial ventures based on fruit, vegetables and livestock. Exports of chicken meat have stopped as a result of the big increase in local demand, and production is growing.

The food problem was the Government's first concern, and decisions on export policy have had to wait. So far, all the measures encourage producers to look to the domestic market. However, one move designed to give the private investor greater security by guaranteeing ownership of up to 150 hectares also aims to stimulate exports.

Restrictions on imports of agricultural machinery and irrigation equipment have been lifted and small-scale irrigation schemes on private land are being encouraged. Work on the big coastal irrigation projects is slowing as foreign funds dry up.

Sarita Kendall



Part of the fishing fleet in Lima. Peru is the world's largest producer of fishmeal

Fishing

Optimism over fishmeal exports

ANCHOVY STOCKS—the backbone of Peru's once gigantic fishing industry — are building up once more after a 10-year gap during which a combination of the warm waters of the Nino and overfishing almost decimated resources.

This year's fishing catch is heading towards 4.5m tonnes. It is mostly made up of anchovy and will be the highest catch since 1976. Mr Javier Labarthe, the fisheries minister, says that the catch could increase to 6m tonnes next year if Peru renews its obsolete fleet.

Fishmeal production is divided between canners and freezers, mostly former owners of fishmeal plants expropriated 13 years ago, and Pescaperu, the state fishmeal company.

Privately-owned plants produced 60 per cent of fishmeal output in the first half of the year. This totalled 237,000 tonnes compared with 179,700 tonnes between January and June last year. The plants also used Pacific pilchard residuals and waste fish from canning and freezing operations.

Pescaperu, using mainly anchovy, produced 199,600 tonnes of meal to June, more than double last year's effort.

Private fishmeal producers are forecasting total fishmeal exports will increase by more than 50 per cent this year to $180m compared to $117.4m last year. Pescaperu is more optimistic, forecasting fishmeal exports of $225m.

Each sector handles its own marketing and each claims to be the most efficient. The Government would like to merge the two channels to give Peru greater negotiating capacity, but private fishmeal producers are resisting.

Peru obviously needs the fishmeal dollars. But the new Government is also stressing its plans to increase production of food fish products. Its goal is to increase per capita consumption to 20 kilos per person a year from the current 10 kilos.

Government priorities are to be defined more clearly in a new fisheries law

This has been the battle cry of every minister since Peru's fisheries ministry was founded in 1971. The first minister, General Tantalean, used to talk of 22 kilos, but the huge fish complexes built at the time mostly became white elephants.

Some progress has been made by the present government over the past year mainly through distribution in low-income areas of a 1-lb can of grated Pacific pilchard, at 35 US cents each, subsidised jointly by the government and fish canners. A foreign consultant says that consumption is not easy to increase in a country like Peru with difficult communications but that a German group had sent people to the Andean mountains region to look into distribution there.

Most canning plants are working at a fraction of capacity owing to limited finances and a poor international market. Production of canned fish has fallen by more than half since 1982—when Peru produced 8m cases—to an estimated 3m cases this year. One of the problems is lack of tuna, more easily marketed than pilchard. But fish used for canning increased to 77,000 tonnes in the first half of 1986 compared with 60,600 tonnes in the first half of last year.

Government priorities are to be defined more clearly in a new general fisheries law on which debate has started in Congress. This is aimed at sorting out the different sectors of industry and how they should operate.

The present Government has been revitalising state-owned Pescaperu, cut back in size during the previous administration after losses of more than $100m, caused by overcapacity even without the scarcity of anchovy.

Last year's 3.6m catch included only 1.1m tonnes of anchovy and 2.5m tonnes of other species, mainly Pacific pilchard, used both for fishmeal and canning and freezing. Pilchard is being displaced by the reappearance of anchovy.

In 1984 the total catch of 2.9m tonnes consisted mainly of pilchard only including 230,000 tonnes of anchovy. Almost 90 per cent of the catch is ground into fishmeal.

The Government is also injecting money into Epsep, the state food fish company. The main immediate aim is to develop a fleet, Flopesca, to take advantage of species like hake, horse mackerel and Pacific mackerel mainly located outside the reach of the existing fleet. According to Imarpe, the marine research institute, Peru has sizeable stocks of virtually unexploited horse mackerel.

Epsep is building up a second-hand fleet by repairing some of the old boats, which had been anchored by debt for the past six years.

The state company in the early seventies received hake and mackerel free of charge under fishing contracts with Rybex of Poland and Flocuba and in 1984-85, for lesser volumes, with Sovrybflot of the Soviet Union. But most of Peru's share went for export and the agreements were criticised both by conservationists and politicians.

The most widely criticised agreement was signed with the Soviet Union 15 years ago when Peru was buying arms from Russia. This allows some 200 trawlers of the Soviet South Pacific fishing fleet to use Peruvian ports for repairs, food and crew transfers.

Initially signed for 10 years the contract is renewed automatically every three years unless denounced by either country 12 months before falling due. Peru lost its latest chance to denounce the agreement on September 4 this year. However, government officials say the agreement is not detrimental to Peru. Mr Labarthe told Congress that the trawlers—which he said totalled about 150—fish outside Peru's 200-mile limit and give Sima, the naval shipyard an income of $10m to $12m a year.

Two Cuban trawlers have been operating in Peruvian waters since the beginning of the year, delivering mackerel in Epsep in exchange for fishmeal.

The fisheries ministry says Peru would welcome fishing agreements with other countries willing to split the catch. But the long-term aim is to raise funds both to build up its own food fleet and refurbish the 20-year-old anchovy fleet with funds from both state and private investors.

Doreen Gillespie

Fish Industry

(Tonnes)

	Jan-June 1985	Jan-June 1986
Landings:		
Anchovy	167,700	1,761,300
Other species	1,127,000	557,600
Total	1,294,700	2,318,900
By use:		
Canning	60,600	77,000
Freezing	109,400	25,700
Dry salted or smoked	15,300	17,700
Fresh	91,500	119,100
Fishmeal and oil	1,017,900	2,079,400
Total	1,294,700	2,318,900
Production:		
Canned	18,300	22,100
Frozen	85,600	17,100
Dry salted or smoked	6,500	8,800
Fishmeal (Pesca-Peru plants)	92,700	199,600
Fish oil (Pesca-Peru plants	15,100	76,100
Fishmeal (other plnts)	179,700	237,100
Fish oil (other plants)	33,700	83,900
Local sales:		
Canned fish	10,400	15,400
Frozen fish	8,400	15,100
Dry salted or smoked	4,200	3,900
Fresh	91,500	119,100
Fishmeal (Pesca-Peru)	10,000	11,800
Fish oil (Pesca-Peru)	2,600	35,300
Fishmeal (other plnts)	50,600	55,500
Fish oil (other plants)	20,700	43,900
Exports:		
Canned fish	9,300	5,000
Frozen fish	78,100	3,100
Fishmeal (Pesca-Peru)	108,700	117,600
Fish oil (Pesca-Peru)	14,400	8,300
Fishmeal (other plnts)	125,900	180,600
Fish oil (other plants)	18,100	9,300

Petroleum

Exploration slows

PERUVIAN OILMEN are still optimistic about finding new oil reserves in the jungle after five years during which the limited exploration taking place has been unsuccessful. But they estimate Peru needs to spend at least $460m a year on new exploration if it is not to revert to being a net importer.

Peru's crude oil production of 180,000 bpd has been covering local demand, leaving an average 60,000 bpd for export, since it became a net exporter in 1978. High prices made oil Peru's biggest single export for the past six years. But exports have been maintained largely because local demand has been held back by recession. A firm pick-up in the local economy would soon eat into exports.

At its present rate of production, Peru has enough reserves for less than eight years: 527m barrels compared with a peak of 835m barrels at the beginning of 1982. This does not include 1,500m barrels of heavy oil in the northern jungle, too expensive to develop, and where only 100m barrels are believed to be recoverable.

Two-thirds of production is pumped 862 kilometres through the North Peruvian Pipeline from jungle fields over the Andes and across the Sechura desert to the Bayovar terminal on the northern coast.

The remainder is produced from oilfields on the far northern coast, where the first well was sunk in 1863, and from offshore platforms in production for the past 25 years.

Roughly half the oil is produced by Occidental Petroleum Corp of Los Angeles, operating since 1971, and half by Petroleos del Peru (Petroperu), the state oil company.

Output has begun to decline from 12-year-old wells in the jungle where Occidental Petroleum and Petroperu between them pump out an average 115,000 bpd. But geologists say production of 38,000 bpd from the northern coast could be increased fairly quickly with secondary recovery programmes and infill drilling.

A further 27,000 bpd is produced by Petromar SA, the Petroperu subsidiary formed to take over offshore production after the takeover of Belco Petroleum Corp of New York's oilfield assets at the end of last year.

Belco failed to reach a new agreement with Petroperu after the rescinding by President Garcia of oil contracts with Belco, Occidental and the Occidental-Bridas (of Buenos Aires) consortium on the grounds that the companies had received some $680m in unjustified tax credits from the previous government and should reinvest the money in new exploration.

A joint commission formed by representatives of Petroperu and Enron Corporation of Houston, Texas (Belco's parent company) are still making an inventory of assets for valuation. The Minister of Energy and Mines, Mr Wilfredo Huaita, says Belco was not "expropriated or confiscated" but that its contract had been "liquidated" because it would not accept the new Government's terms.

Enron, which tried unsuccessfully to get a quick lump sum settlement from the Government, is claiming $200m from its insurers, American International Underwriters of New York. But it hopes also to collect from the Peruvian Government to make up the $400m it has down as Belco's book value.

The rescinding by President Garcia of oil contracts and the expropriation of Belco assets has added to the edginess of Peruvian oil, a traditionally charged political issue. But oilmen recall that 18 consortiums, including Occidental, eventually came to Peru in the early 1970s beginning only two years after the Government nationalised the International Petroleum Company, a Standard Oil (now Exxon) subsidiary.

"People no longer believe there is a sea of oil in the Peruvian jungle. Peru is known as a country where you find oil in small reservoirs," says a veteran geologist.

"But so was Colombia until Occidental found the huge Cano Limon field—and you can't rule out the possibility of the same happening in Peru. Shell is going for a big one here."

Oilmen also say that the new petroleum law which President Garcia offered when he took office last year will have to be at least as good as Colombia's if it is to bring in foreign investors. The plan is to guarantee companies repatriation of their investment and quick recovery, probably over a five-year period, according to the energy minister.

Mr Huaita said that the new Petroleum Law will offer "absolute safety" to foreign investment because Peru has the technology but not the capital—and without foreign capital the country will not "emerge from underdevelopment."

Mr Huaita says he expects Congress to approve the new Petroleum Law in December and that if it does not the executive will decree special measures like tariffs for Occidental's new area which must be defined by the end of the year.

Debate has been delayed by political wrangling over oil contracts in — and out — of Congress including a scandal over an oil drilling contract which led to the resignation of Petroperu's executive president and general manager.

Only two international companies—both among the world's biggest—are exploring in Peru —Occidental Petroleum Corp (which also produces half the country's crude oil) and Royal Dutch Shell of London and The Hague which is still in the exploration stage.

Occidental says it has spent more than US$1bn in jungle exploration and development over the past 15 years. In association with Bridas Production of Buenos Aires (which holds 16 per cent) Occidental also invested $400m in a secondary recovery programme on the northern coast. But production there has fallen to 8,500 bpd from 20,000 bpd four years ago.

At the same time, Petroperu is holding back payment of the full fee while it negotiates a reduction in the price Oxy-Bridas have been receiving for the oil.

Occidental is committed to spend $267.5m in exploration over the next five years after negotiating a new agreement with Petroperu in March to replace its rescinded contract.

Occidental—after an almost three-year gap in exploration resumed drilling, with one Parker Drilling 2000 rig in the northern jungle, in July.

It has also contracted Western Geophysical International to resume seismic surveys in the area. At the same time Oxy has begun preliminary exploration work in its new area in the central jungle, Block 36, neighbouring Shell. But the real push only begins next year, once the Petroleum Law is approved.

Shell, exploring in the central southern jungle, is Peru's other big hope. It has had to reduce its contract area to keep within the maximum allowed by Peruvian legislation following the withdrawal of its partner Phillips Petroleum Co of Bartlesville, Oklahoma, which bought a 30 per cent stake in the operation in 1982.

Shell is keeping its original Blocks 38 and 42 in the central southern jungle, and is compressing Blocks 49 and 51 in the virgin southeast jungle into a smaller area. The company, which was completing its fourth jungle wildcat mid-September, has confirmed gas reserves in the area and tested 600 bpd of condensates in its second wildcat. Shell has a $40m budget for 1986 after spending $125m up to last year.

Petroperu's own operations, already restricted by taxes which cover one quarter of the Treasury's budget, have been further hit by the collapse of international oil prices.

It had not released financial figures by the middle of September but it was projecting a shortfall of $220m this year according to unofficial reports.

According to Petroperu's figures its exports last year totalled $571m or 46.5 per cent of total sales of $1.226bn. Local fuel sales totalled $655.8m including government taxes.

Peru's oil exports, mainly fuel oil, fell to $128.4m in the first half of 1986 compared with $323.4m in the first half of last year. Apart from the collapse of international prices, volume fell by 16 per cent to 10.7m.

Petroperu in May cut back its exploration budget to $16m from $50m approved earlier in the year. The only remaining project of importance is on an isolated gas field, the Aguaytia, in the central jungle, from which it plans to pipe gas to an electricity turbine near the town of Pucallpa.

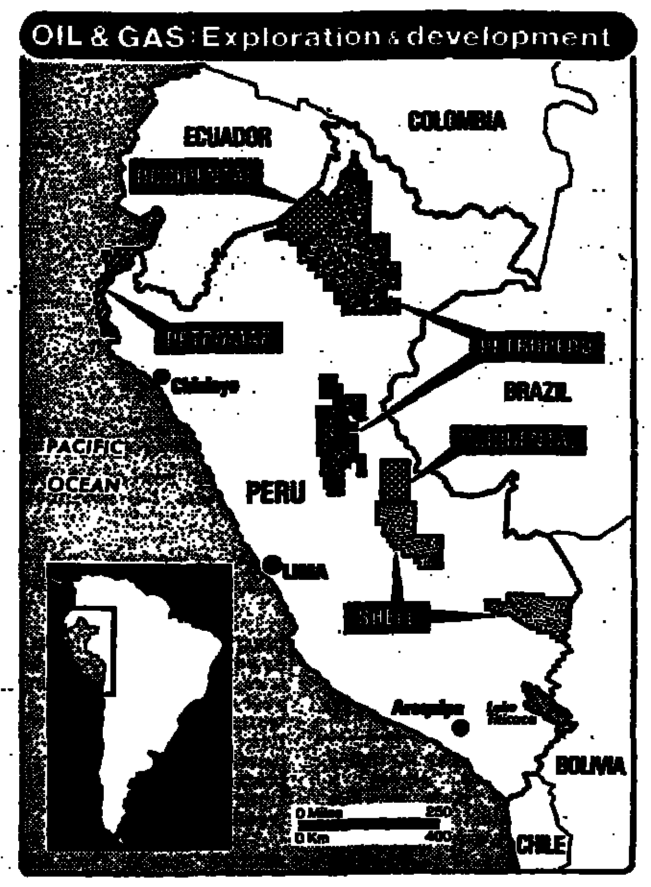
Gas was originally discovered in the area more than 20 years ago by Mobil. Plans for seismic studies in the central and northern jungle have been held up by delays in tenders and the shortage of financing.

The Government has assigned Petroperu an investment budget of $254.1m in 1987 compared with an initial budget, later cut back, of $230m at the beginning of this year. The Government at the same time gave the company a series of tax breaks and exoneration for eight years from the obligation that all state companies have to transfer profits to the Treasury for redistribution.

International oil companies also want to see encouraging government signals. However, geologists say a significant oil find by Occidental or Shell could just as easily start an enthusiastic new hunt for jungle oil reserves.

Doreen Gillespie

OIL & GAS: Exploration & development



Mining

Hit by record losses

PERU's MINING industry faces record losses this year. It has been hit hard by low international prices, rising costs and a frozen exchange rate.

The calamity in Peru's mining, which brings in 45 per cent of the country's foreign exchange, is so severe that Minister of Energy and Mines Wilfredo Huaita was forced recently to declare, "Mining is not dead."

The 1986 losses of public and private companies are estimated by industry sources to run over $209m. Centromin alone, the largest state mining company, may slip $100m into the red. The leading 22 private medium scale companies are reported to be heading for an estimated loss of $76m.

Southern Peru Copper Corporation, the last foreign private firm in large scale mining, has lost $4.5m in the first semester, according to information at the Lima Stock Exchange.

Southern Peru Copper, owned principally by the US firm ASARCO, and four big state companies, Centromin, Mineroperu, Hierroperu and Ematinsa, the only five firms in large scale mining, accounts for 65 per cent of the country's mineral production. The remainder is produced by some 40 medium scale and 300 small scale companies, virtually all of which are private.

Peru produces 40 mineral and metallic products, including gold, iron, antimony, bismuth, cadium, tungsten, molybdenum, and selenium. Peru ranked second in 1985 for silver production with 58m fine ounces, and sixth in copper with 420,000 short tons. It was also among the top five producers of lead with 223,000 short tons and zinc with 618,000 metric tonnes.

But prices for its four leading mineral exports are all in the doldrums and there is little optimism about rises in the immediate future. Inflation has meanwhile boosted costs by some 60 per cent, further eating away earnings.

Alfonso Brazzini, a director of several mining companies and a trader, says the frozen exchange rate is now causing more of the industry's losses than low international prices. "The Government is forcing the mining sector to pay the price of its anti-inflation programme," he claimed.

To get government relief measures, private sector miners have launched a public campaign. A recent newspaper advertisement by the National Society of Mining and Petroleum said the situation "would doubtlessly mean more mine closures, fewer foreign exchange earnings and deterioration of the net worth of companies that were until recently solid and robust."

The miners want a devaluation, or at least greater temporary access to the higher of the two tiers of Peru's frozen exchange rates.

The Government has refused to devalue the inti until the end of the year. But it has allowed medium and small mining companies to change 35 per cent of their export earnings at the parallel rate of 17.4 intis to the dollar, 25 per cent higher than the official rate.

In large-scale mining, where the only private firm is Southern Peru Copper, only 10 per cent of export dollars can be changed at the parallel rate. Private miners say this is not enough.

Mr Huaita is adamant that they will not get more. "They know very well that the 35 per cent we've given them is more than sufficient. They must understand the situation of the country, which is going through a grave crisis."

The industry is meanwhile trying to ride out the storm largely by cutting costs and holding down investment. Even state-owned Centromin, Peru's biggest minerals producer with net annual sales of $400m, launched a $22m emergency cost-cutting plan for 1986.

Southern Peru Copper, which will increase its production of blister copper this year over last by 10,000 tons for a total of 280,000 tons is letting stocks run down from $40m to $23m and operating less machinery to save fuel costs.

Mr Charles Preble, president of Southern Peru Copper, says the company is also looking at ways to upgrade processing to decrease costs. But so far no investments are moving out of the feasibility study range.

Despite the general pessimism in Peruvian mining, three companies are proceeding with investment plans. All three projects have financing and shareholding from the World Bank's International Finance Corporation.

Compania de Minas Buenaventura, the leading private silver producer with 8.5m ounces last year, is moving on a $30m expansion of its Orcopampa silver mine. It will double its capacity from 500 tons per day to 1,000 tons per day. IFC lent $9m for the project, with another $1m in shares.

Compania Minera San Ignacio de Morococha, Peru's top private zinc producer, is spending $16m to expand its San Vicente mine. The company aims to push up its output to 3,000 tons per day from 1,800 tons per day, while reducing its costs by one third to $10 per ton.

San Ignacio de Morococha also plans a $100m zinc refinery, but access to financing is still a question. IFC owns 3.93 per cent of the company's shares and put in $4m for the San Vicente mine expansion.

South America Placers, a Panamanian-registered firm with American, British and South American backing, is investing $24m in a gold dredging project in the eastern jungles of Madre de Dios. IFC is providing $6m in financing and will hold another $500,000 in shares.

Other investments could be on the horizon. As Peru's oil reserves drop, the Garcia Government has suddenly taken a great interest in coal mining. While Peru has little developed coal, its coal reserves are estimated at 1bn tons.

The stumbling block for developing coal has been lack of an internal market. But now Prime Minister Luis Alva Castro and other top officials are urging plant conversions to substitute coal for oil to avoid a future oil crisis. So far no investment plan has been revealed for coal, which the Government believes also has large export potential.

The Government's mining investment plans are limited for the moment to a $28m gold dredging project, San Antonio de Poto in the Department of Puno and a $34m expansion of Centromin's Andaychagua silver mine.

Minister Huaita says Peru is open to foreign investment but, if minerals prices were not discouraging enough, the Government's recent halt on profit remittances and currency regulations is believed to have quashed foreign interest for the time being.

Barbara Durr

Politics

Garcia steals thunder of the opposition

PERU'S YOUNG President Alan Garcia has led his party to its first term alone in government since it was founded more than 50 years ago.

The American Popular Revolutionary Alliance (APRA) won an overall majority in both houses of the Peruvian congress in the April, 1985 elections, giving it a relatively free hand to implement its particular mix of nationalist and social democratic policies.

President Garcia has used this freedom to push through a range of measures favouring the impoverished Andean regions of Peru and assisting the burgeoning populations of the shanty-towns around the country's major cities.

He has also given voice to the party's traditional anti-imperialist sentiments, nationalising the operations of a major US oil company and restricting repayments on Peru's public sector foreign debt to 10 per cent of export earnings.

APRA's policies have stolen the thunder of Peru's major opposition grouping, the United Left (IU) alliance, which finds itself in the politically uncomfortable position of having to support many of the ruling party's initiatives.

The discomfort of the more radical IU members is aggravated by the fact that the leader of the coalition, Lima mayor Alfonso Barrantes, is a former APRA member who has a close relationship with the President and backs him on many key issues.

APRA is Peru's oldest and best-organised political party, but it has spent most of its history in opposition, often banned and nearly always viewed with suspicion by the military. It was founded in 1924 by Victor Raul Haya de la Torre, at the time an exiled Peruvian student leader, as a Pan-American anti-imperialist movement.

APRA rapidly became a mass movement in Peru, drawing its support from the urban lower middle and working classes by advocating nationalisation of land and industry and restrictions on foreign investment, but it failed to achieve any lasting success in other Latin American countries.

Its failure to win power because of what it saw as a fraudulent election result led to an APRA uprising in the northern city of Trujillo in 1932, which was forcefully put down by the military.

More than 1,000 APRA supporters were reported to have been executed by the army in Trujillo after the uprising, creating an atmosphere of mutual hostility that was to continue for several decades.

Haya de la Torre remained the central figure in the party until his death in 1979, building a personality cult around himself as he gradually shifted APRA to the right, reversing his position on nationalisation and foreign investment.

President Garcia was a child of the party. His father, an APRA activist, was in jail when he was born and the future president knew Haya de la Torre from an early age.

When he was elected general secretary of APRA in 1982, Garcia set about bringing the party up to date, toning down some of its para-military aspects, the results of its long years as a clandestine organisation, and steering it on a moderate social democratic course that would appeal to a broad spread of the electorate.

Its efforts paid handsome dividends, and in the 1985 presidential elections he took 46 per cent of the vote, leaving the candidate of the outgoing government with a mere 6 per cent.

Mr Barrantes, the IU's candidate for the presidency and President Garcia's closest rival, finished over 20 points behind him and refused to take part in the second round laid down by the constitution, saying the victory was clear.

APRA won 107 seats in the 180 seat Chamber of Deputies, while the IU took 48 and the combined forces of the right, the Popular Action party of outgoing President Fernando Belaunde Terry and the Popular Christian Party of former Lima mayor Luis Bedoya Reyes, could only muster 22 between them.

APRA's majority in the Senate was slimmer, but sufficient to implement its policies without fear of congressional impediment.

The socio-economic policies of APRA and the IU coincided on many points, enabling the ruling party to rely on broad opposition support as it introduced austerity measures to combat inflation and limits on foreign debt repayments.

APRA still draws most of its support from the middle classes and from blue collar workers in the coastal cities, while backing for the left-wing opposition comes mainly from the peasants who eke out an existence in the Andes mountains.

Bedoya's Popular Christian Party (PPC) and the Popular Action (AP) party of Belaunde have the backing of the upper-middle classes and what remains of the post-colonial oligarchy that used to rule Peru.

APRA's main stronghold is in the northern city of Trujillo, the scene of the 1932 uprising and the home of Haya de la Torre and other party leaders. The party has recently been working hard to extend its influence in the "Pueblos Jovenes," the shantytowns that surround the major cities.

The growing army of slum-dwellers, mostly peasants from the mountains who come to the cities looking for work have in the past voted mainly for the IU. But APRA has been making inroads on this support with policies designed to improve the lot of the urban poor.

Belaunde came to office in 1980 on a wave of support that owed as much to a national desire to see the military return to their barracks as to personal backing for the conservative architect. By 1985, the vast majority of these voters had changed their allegiance to APRA, giving the party its first victory in the presidential elections.

The Government's attention is now focused on the municipal elections on November 9, the first national test of public support since it came to power and the last before the next presidential elections in 1990.

It main aim is to wrest the mayorship of Lima from Mr Barrantes, but with Mr Bedoya also competing for the job and the APRA candidate the least known of the main runners, polls are predicting a close fight.

By a Special Correspondent

In Lima's Villa El Savador, a squatters' settlement, Maria Elena Moyano speaks at the opening of a headquarters for neighbourhood soup kitchens

Feminist among the squatters

Profile:
MARIA ELENA MOYANO

VILLA El Salvador stretches for kilometres across a brown sandy plain on the southern outskirts of Lima. Only 15 years old, and already 300,000 strong, it is the most famous of Lima's "pueblos jovenes" or squatter settlements.

"Since the first land invasions, since the beginning, women have been the dynamic force behind Villa," says Maria Elena Moyano, 28-year-old president of the women's federation which links 372 organisations. "We marched to the palace, we blocked roads to protest about transport and we planted the trees."

The vast camp of straw matting shacks that mushroomed in 1971 has given way to an orderly grid pattern where modest brick houses sprout concrete columns, awaiting the addition of a second storey. Buses run along the main highways, which are now paved, and the women remember how gravel was gradually worked into the sand to make it firm enough for the first vehicle.

Prominent water meters announce the arrival of piped water, even though it may only be available for an hour a day. Every achievement has involved years of pressuring the authorities and interminable red tape.

"I worked as a volunteer teaching pre-school children, and I studied sociology and joined youth groups. President Velasco's wife helped organise the first mothers' clubs (in the Seventies). They started short training courses, dress-making and things like that. The problem is that every time the government changes, the party in power forms new mothers' clubs so it can use them.

Now the candidates for the November elections are transporting women and children to their rallies, making promises for the future. The federation is trying to defend women against this kind of thing."

Women's organisations have been strengthened as a result of the growth in neighbourhood soup kitchens. Villa El Salvador has more than 200, and most receive food donations from Caritas. Although the soup kitchens spread because family incomes had fallen so low, they soon became a focus for other activities, such as health, education and small business projects; in some, guinea-pigs are raised to supplement protein rations.

One mother of five, sweating over a huge saucepan of rice, said she was able to feed her family for a quarter of the cost by joining the soup kitchen, but she had also learned to keep accounts, to stand up and speak in public, and to share problems with her neighbours.

It is not all work: after the foundation stones for a soup kitchen headquarters had been cemented in, Maria Elena joined other women dancing in the sand to Peruvian music.

The Government's temporary employment programmes have met mixed reactions in Villa El Salvador. "Woman want to work—but why are they cleaning the streets with a man in charge? It may only last until elections anyway. Instead, the pre-school teachers should be paid wages, women should have a chance to learn skills and even to specialise," says Maria. She is less critical of the 'glass of milk' programme initiated by Lima's diminutive mayor, Alfonso Barrantese.

"He has seen the importance of women's power, and mobilised existing organisations to distribute the milk for children."

There are hardly any women in top government or business posts in Peru, and women rarely get on to neighbourhood committees in Villa El Salvador. "We're very strong as womens' organisations but we need to be integrated into local government," says Maria.

"We've managed to get most of the basic services for Villa now. Our energies should go into other areas." Maria Elena herself was off to a congress of popular organisations from all over Peru, as one of a very few female delegates.

Sarita Kendall

Indians raise powerful voice

Profile:
EVARISTO NUGKUAG

EVARISTO NUGKUAG comes from an Aguaruna community in the forested northeastern foothills of the Andes. He is one of about 250,000 Amazon Indians in Peru, and his leadership has been crucial to making Indian voices heard in the corridors of power, from Lima to Geneva.

Just back from a trip to Brazil, he is working with several Amazon Indian leaders to present demands concerning land and other issues at a "talk-in" with the Government in Pucallpa.

"We must use the Pucallpa meeting to put pressure on the Government to give land titles to all the Indian communities. It seems they are thinking mainly about Andean problems," he says.

This contrasts with former President Belaunde's obsessive drive to develop Peru's Amazon region by building roads—including the famous "marginal highway" along the Andean foothills—and encouraging migration.

For the Indian groups, Belaunde's policies meant confrontations over land with highland colonists, and the kind of development that threatens their way of life.

The migrants who spill down from the mountains into the jungle valleys are often Indians too. Some 25 per cent of Peruvians speak Quechua and Aymara, the highland Indian languages, but many prefer not to be labelled as Indian.

On the other hand, the 60 or so different Amazon groups have made the preservation of language, culture and other ethnic values an integral part of their struggle. Some—for example, the Shipibo Indians in the Pucallpa region—have found traditional crafts can bring a significant income. Most depend on farming, and land is essential to their survival.

Over the past 10 years Amazon Indian organisations have been fighting for the recognition and resources that will alow them to have a say in their own future. Evaristo, who left hom to study in Lima, returned to spend months travelling the Amazon tributaries to build an interest in the formation of an Aguaruna organisation.

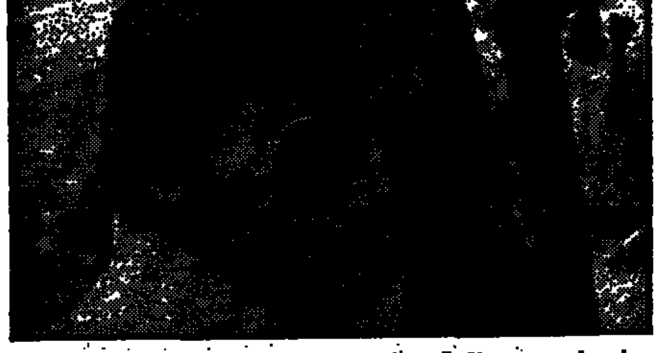
The Aguaruna-Huambisa Council was founded in 1977 will allow them to have a say at a meeting of delegates from communities along four rivers, and Evaristo became president.

There are more than 35,000 Aguaruna and Huambisa Indians. "The population is significant, and should be the pillar of development programmes in the area, both in relation to the expansion of agriculture and the protection of national territory." (The frontier with Ecuador, where there have been a number of skirmishes in recent years, lies close.)

The Council has grown strong enough to demand—and get — a budget allocation from the Government (through a regional development corporation) for health and education projects. "This is a very important precedent, and leaders of other Indian groups must press for the same, showing they have coherent, well-thought out programmes," says Evaristo.

Although he is no longer president of the Council, Evaristo now heads AIDESEP, an association which includes most of the Indian organisations in the Peruvian Amazon.

Sarita Kendall



Evaristo Nugkuag: his leadership gives Indians a voice in the corridors of power.

Lima

A capital with two faces

SPANISH South America was ruled from Lima at one time, and the city has never relinquished its dominating role. Although its hinterland has shrunk to the size of Peru, Lima is a capital in every sense of the word. Nearly 30 per cent of Peru's population lives in the metropolitan area, which has spread from the banks of the river Rimac to the sand dunes of the desert, the foothills of the Andes and the port of Callao, eating up fertile farmland.

Founded by Francisco Pizarro in 1535, Lima became a rich and powerful city in early colonial days.

Few of the great colonial mansions remain. By far the most imposing is the Torre Tagle palace, which now houses the Foreign Ministry. Earthquakes, traffic and the urban land market have spared some finely carved wooden balconies and attractive stone flagged courtyards, while the authorities make sporadic attempts to encourage renovation. In a sudden burst of enthusiasm, historic landmarks are being repainted in their original colours, and Plaza San Martin has changed from grey to deep pink and terra cotta tones.

Lima started to burgeon at the beginning of the 20th century. In 1914, when the Panama Canal opened up a direct route to Europe, the city had some 150,000 inhabitants. By 1940, the population was 645,000, and it tripled in the following 20 years. Now the Lima-Callao region has over 5.5m people, and though population growth rates have begun to drop, migrants continue to flood in from the coast and the highlands. Nearly a third live in the Pueblos Jovenes or squatter settlements that climb the hills and creep over the plains.

"Everything is in Lima," says the mayor, Alfonso Barrantes. "But there are two Limas, the rich and the poor. It is a reflection of the whole country, and we need economic changes in the countryside. Television carries the message of urban consumerism."

It is not only the poor who migrate to Lima—students, artists, professionals and businessmen are drawn by the opportunities in the capital. Conversely, it is difficult to persuade doctors, agronomists and teachers to work in the provinces, even if they are offered financial incentives.

Nearly 60 per cent of Peru's GDP and 70 per cent of industrial production are generated in Lima. It has 15 universities and almost half the country's hospital beds, while illiteracy rates are lower and vaccination rates higher than elsewhere. The city accounts for 50 per cent of the demand for sugar and rice, and is the main focus of communications and bureaucracy. Despite the unemployment, the lack of services and the housing shortage, few immigrants return home. Recognising the problems created by such overwhelming centralisation President Alan Garcia recently proposed building a new capital, perhaps in the central highlands.

"Since the Forties, the city has been built by the poor, behind the city government's back. It's been like a battlefield with no attempt to define the common good or to direct overall development." Jorge Ruiz de Somocurcio, who is the architect behind Lima's new metropolitan plan, says it is too late to talk of long-term plans and elegant models—there are so many immediate problems to be faced.

The plan has some interesting innovations. Neighbourhood organisations will, for example, take an active part in the planning process. The main aim is to try to order the chaotic growth that has already taken place, legalising land ownership, expropriating where necessary, orienting future development to areas where services can be provided, and encouraging employment in sub-centres.

Lima is a low density city, with few skyscrapers outside the downtown area or Miraflores, and the poorest people are often at the edge of the city, where they have found vacant land to invade. This makes the provision of water, transport and sewerage particularly costly.

Lima probably has less green open space per head of the population than any other metropolis, though a recent tree planting campaign has helped lighten the unremitting grey-brown of the Pueblos Jovenes. A thick layer of low cloud overshadows the city in winter, reinforcing an impression of greyness, and the lack of rain means that leaves are never washed free of dust. But when watered, as in the prosperous suburbs of San Isidro or Miraflores, tropical plants blossom exuberantly.

If there is little vegetation, there is no shortage of "ambulantes"—the ubiquitous street traders who offer everything from mauve inflatable rabbits to bathroom plumbing. Senor Barrantes has managed to persuade the ambulants to give some central thoroughfares back to the pedestrians, but within a few paces of Plaza San Martin it is possible to equip a library or furnish a kitchen from the street barrows.

Unfortunately the transport problem has proved too much for the informal sector, although there are plenty of pirate taxis and micro buses. Limeños—especially those living in distant Pueblos Jovenes—waste an enormous amount of time getting around the city by very inefficient bus services.

The government has proposed a 35-km-long electric system, which would connect Villa El Salvador via the centre to the northern suburbs. However this is being opposed on the grounds that it is a very expensive way to tackle only one part of the transport problem.

Sarita Kendall

Profile: MARIO VARGAS LLOSA

Writer who treads a delicate path

BEING PERU'S best-known writer and an author with a major international reputation puts a tremendous responsibility on Mario Vargas Llosa. He is acutely aware of this, and is constantly struggling to tread a delicate path between his own independence as an author and the problems and privileges that make him both the nation's main cultural property and one of Latin America's leading literary figures.

"The influence of a writer in Peru and Latin America as a whole is much wider than that of his books" he says. "To some extent, a successful writer has the same position now as those in Europe in the 19th century—a public figure who is expected to take stands and has views on all important issues. He is a sort of public conscience."

In the role of public conscience, he was asked to preside over a commission investigating the deaths of eight journalists, killed in 1983 in the Ayacucho region of southern Peru in an unexplained incident at the height of the Belaunde Government's struggle against the fanatical Maoist guerrilla movement, Sendero Luminoso. But in a country with strong political divisions impartiality is hard to achieve and is rarely appreciated, as he has learnt to his cost in the controversy that still lingers on over his commission's report, seen by his critics as too soft on the military.

Mr Vargas Llosa has just turned 50, though he looks much younger. Behind him is a solid corpus of best-selling novels, distinguished essays and witty plays. His works are strongly rooted in Peru even though he spent, and continues to spend, much time outside the country.

In Peru he has a house in the Miraflores suburb of the Pacific Ocean. "In Lima it is a constant problem dealing with the outside world," he says. "The phone starts ringing at seven in the morning and goes on sometimes until late in the night or eary morning: or I find the front door ringing and it is a school teacher wanting me to meet his class of 30 pupils unannounced."

To work now he flees to London, a city for which he has a deep affection since 1966 when he first came as a university lecturer. In London he begins the day by jogging in Hyde Park and ends up religiously every afternoon in the British Museum reading room.

All his writing is in longhand on to a hardback notebook. Before becoming a full-time writer, he mixed academic life lecturing in literature with journalism. He helped found the Spanish language service of Agence France Presse and worked for seven years with French radio, ORTS, in Paris. He first published a collection of short stories, Los Jefes, in 1959 followed in 1963 by a novel, La Ciudad y Los Perros. This established his reputation and was subsequently translated into more than 20 languages.

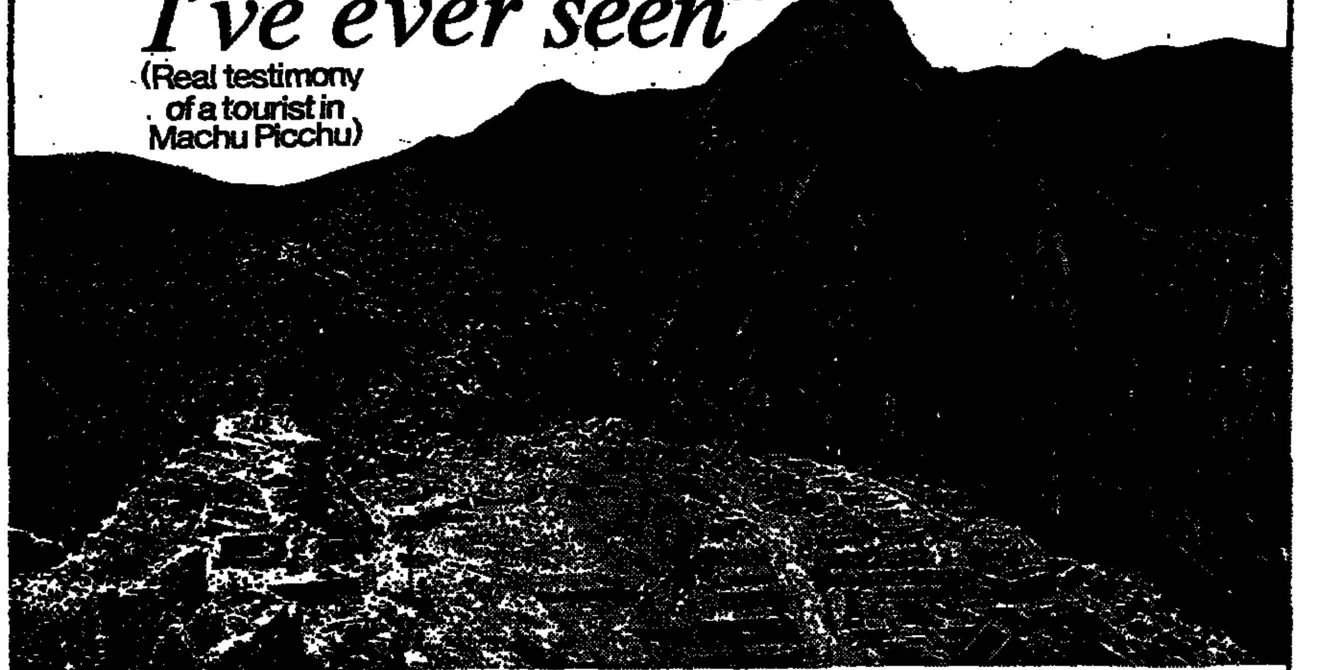
Plays, an essay on Flaubert and other novels like La Guerra del Fin de Mundo, followed, all best sellers. A brilliantly funny account of a model army officer sent to manage a military brothel in the Amazon, Pantaleon y Las Visitadoras, sold over one million copies in hardback in Latin America alone. An adaptation of his play, Katy and the Hippopotamus, was staged at this year's Edinburgh Festival and could be brought to London.

He has a canny ear for popular language which he combines with a marvellously eclectic imagination and an ability to convey ideas simply through larger than life characters. His acute and often humorous observations make him a gadfly-like commentator on the foibles of his fellow Peruvians and the problems of contemporary society.

His intellectual honesty and curiosity is evident in the collection of essays written between 1962 and 1982, Contra Viento y Marea. The latter shows him evolving from an early flirtation with the Cuban revolution through to a more cynical and conservative view of the world. Politically he is hard to label, although the left suspect him of betrayal.

In the last elections he publicly came out against voting for APRA and the presidency of Alan Garcia. But while maintaining his distance from the Garcia Government, he has refrained from criticism. One of the most negative features of intellectuals in Latin America, he feels, is that they have been too ready to criticise without offering solutions. Writers, he believes, make poor politicians.

Robert Graham



PERU 8

Tourism

Private plan to boost revenues

TOURISM, one of Peru's greatest potential foreign exchange earners, has been blithely neglected by successive *governments and has yet to be* exploited fully. But the country's lack of hard cash is drawing more official attention to the industry.

Vice-Minister for Tourism, Mr Augusto Lanatta, says that the International Monetary Fund's decision on August 15 to declare Peru ineligible for further loans has led the Garcia Government to make tourism a higher priority for generating foreign exchange.

Just days after the IMF decision, Minister of Industry, Commerce and Regional Integration, Mr Manuel Romero Caro said it was now more important than ever to develop *tourism to offset* the *drop* in Peru's oil and minerals export income.

Last year, tourism brought in US\$231m, making it the fifth largest foreign exchange earner. This year, according to Mr *Romero* Caro, Peru could attract 350,000 visitors who would generate \$350m in income.

Although the minister's estimate is considered somewhat optimistic, the first six months of 1986 have already seen over 147,800 tourists come to Peru, *a 6.4 per cent increase over the* same period for 1985. Earnings for the first semester were \$147m, the equivalent of 46.5 per cent of all non-traditional exports for the first half of the year.

The country offers a gamut of attractions. The rugged splendour of the Andes and Amazonian jungles has spawned a speciality in "adventure tourism," including mountain climbing and trekking, white water rafting and rough overland travel.

Despite these attractions, other South American neighbours with less to offer have been receiving more foreign *tourists* than Peru. One *major* impediment has been the difficulty of air travel from the prime US market.

A two-year-old air rights dispute between the US and Peru has cut the number of visitors by up to 50,000 per year, according to the private sector's National Chamber of Tourism. The official estimated loss is only 16,000.

The Garcia Government is in the final throes of concluding a new agreement with the US on cargo and the so-called "fifth *freedoms" of onward* routes. But, because it has been a sensitive political issue, many believe an agreement will not be signed until after the nationwide municipal elections in November.

Peru had been hoping to cash in on US fears of travelling to Europe this year after 1985's spate of terrorist incidents directed at Americans. Also, with the falling value of the dollar, industry sources said that South America has extra appeal to US travellers.

But Peru's own political violence cramped these hopes at the end of June when terrorists bombed the tourist train to Macchu Pichu, Peru's foremost attraction. Seven tourists were killed, most of them foreigners.

A private sector plan projects that Peru could receive up to 1m tourists and revenues of \$1bn by 1990 if the industry is truly made a government priority

Mr David Griffiths, president of the private sector's National Chamber of Tourism and manager of the Miraflores Cesar's Hotel, one of Lima's plushest, says that an attitude persists that tourism is "a frivolous activity."

He *is* trying to change official minds on the issue, arguing that apart from its foreign exchange earning capacity, the chamber's plan for tourism would conform to two other government goals: creating employment and regional development. Because tourism is labour intensive, it could generate 186,000 new jobs.

Also, the benefits of the jobs, investments and purchases of local goods and services would occur in the poorer areas of the country, where the major tourist sites are located.

The chamber's plan requires the Government to provide tax incentives for reinvestment, an intensive promotion campaign and a resolution of the US air dispute.

In response, Romero Caro said that the state tourism promotion company, Foptur (Fondo de Promocio Turistica) has begun a new campaign and that the Government will promote private investments and provide short and medium term credits.

Mr Lanatta, meanwhile, is busy with his own plan for tourism: using it in countertrade deals to pay off the \$14bn Peruvian debt. He proposed that Peru could sell tourism packages, including state hotel, transportation and other services, either directly to banks which have tourism companies in their corporate group, or through tour operators who could pay for the packages by buying discounted Peruvian debt on the secondary market.

Neither idea has yet been tested, but Mr Lanatta says he is convinced that if Peru can use goods to pay its debt, why not tourism.

Barbara Durr

Physical and Economic Targets for Tourism

(Visitors '000)

Years	Domestic tourism	International arrivals
1986	2,500	330
1987	2,700	376
1988	3,000	346
1989	3,350	515
1990	3,800	597
Average rate of growth 1990-86	11.0%	16.0%

Source: Ministry of Industry, Commerce, Tourism and Integration.

Sendero Luminoso

Massacre of guerrillas starts political row

SENDERO LUMINOSO (the shining path) is often singled out as unique among Latin American guerrilla movements. It appears to have no political or military backing from foreign nations.

No attempt is made to publicise programme, to claim responsibility for armed action, or to woo left-wing parties and mass organisation. Even this much is supposition, because there are no clandestine press conferences with Senderista leaders.

Six years og Sendero made its first formal appearance in *the village in the* Andean department of Ayacucho, and burnt the ballot boxes on election day. Between 1980 and 1982, the movement carried out more than 1,500 attacks, but less than 200 people—including civilians, military and Senderistas—were killed. During this period peasant support for Sendero grew stronger in the scattered highland communities so long neglected by government, and among students frustrated by a lack of opportunities.

By most standards, Ayacucho is one of the poorest regions of Peru. In housing, literacy, average income and other indices Ayacucho, and its neighbouring departments, Apurimac and AX Huancavelica, are always at the bottom of the table. For several decades emigration has been high, and population growth has fallen to less than 1 per cent a year.

Dramatic ranges and gorges, high plains and deep basins are the setting for the farming communities where the Quechua-speaking Indians live. The *few* roads leading out of the area have broken up traditional trade patterns, and thrust Ayacucho into Lima's orbit as a distant poor relation.

The sixties brought a huge wage of hacienda invasions and several shortlived attempts to launch guerrilla movements in the central and southern Andes. The peasant unions near Cusco *marched to the cry of* "land or death!" while urban revolutionaries recognised land as the key problem and agrarian reform as the cornerstone of their programmes.

When the military took over in 1968, they confused the situation by introducing many reforms which had been an integral part of leftish platforms — including far-reaching changes in land ownership. Most of the left began to direct energies to working with mass organisations, rather than preaching revolution.

At this time Abimael Guzman was deeply involved in political activity at the University of *Ayacucho, and* Sendero *Luminoso* was formed when he led a split from the Maoist Communist Party; later Sendero was named the Community Party of Peru.

Sendero's philosophy and aims are expressed as "Gonzalo's thought"—Gonzalo being *Abimael Guzman.* The *Maoist* input is strong, reflected in the idea that there will be a long armed struggle, gradually moving from the country to surround the cities. Like most other leftist groups in Peru, *Sendero has been influenced by* the writings of Jose Carlos Mariategui, an intellectual who stressed the importance of the land question during the Twenties.

At first, most of Sendero's actions were fairly limited — roads were blocked, bridges and electricity pylons dynamited, local figureheads executed and police stations attacked—then, after 1982, they became more ambitious.

The peasant communities were suddenly in the midst of a war, and disappearances and civilian killings began.

Still working mainly with dynamite and relatively few modern weapons, Sendero started to terrorise the capital.

There was a marked change in the attitude of leftists who had had some sympathy for Sendero, but now found them too bloody and fanatical.

The president's promise not to meet barbarism with barbarism was severely undermined by the massacre of nearly 300 Sendero prisoners in Lima's jails last June. Clearly, neither the Senderistas nor Mr Garcia imagined that the prison revolt would end the way it did — but assigning responsibility for the killings is proving a tricky political matter; and the deaths of several important Senderista leaders may solve a problem for the judiciary but it is by no means the end of Sendero Luminoso.

Sarita Kendall

Drug abuse

A costly continuous war

IN CENTRAL Peru's plush green Upper Huallaga Valley, where most of the country's coca leaf, the basis for cocaine, is grown, a peasant can earn between 10 and 30 times more growing one hectare of coca instead of one hectare of rice, tea, coffee or cacao.

With this kind of economic *incentive, drugs control in Peru,* the world's largest producer of coca leaf, is difficult and costly. But President Alan Garcia has pledged to battle the drugs Mafia, motivated as much by revulsion at Peru's own growing drug abuse problem as the challenge to state power through corruption and intimidation.

Since Mr Garcia came to office 14 months ago, the Government has undertaken four major anti-narcotics operations under the code name of Condor. According to police statistics, these have destroyed 168 clandestine airfields and 36 laboratories and led to seizures of 46,000 kilos of coca cane base and 351,900 kilos of coca leaf.

Mr David Mellor, Minister of State for the Home Office, who was in Peru this month for discussions on drugs, called the Condor operations "extremely successful and impressive." As effective as Condor is, the scope of the problem is daunting. The area devoted to growing coca has expanded rapidly during the last several years to reach between 100,000 and 125,000 hectares today.

The full value of the trade could run as high as \$5.4bn, according to one American drug expert. He calculates that under ideal conditions, one hectare of coca produces approx two kilos of cocaine. Leaving out Peru's legal production of coca, covering about 10,000 hectares, and taking the more conservative estimate of growing area, 90,000 hectares would render 180,000 kilos of cocaine which, at the American street value of \$30,000 per kilo, is worth \$5.4bn.

But that sum is what might be earned by the international narcotics kings, who by and large are Colombians. In Peru, there is little final processing into cocaine. Instead, leaf is generally taken through the first two of three steps on the chemical path to hydrochlorate of cocaine, the white powder which some say is more addictive than heroin.

The first step, usually carried on near the Upper Huallaga's coca *fields, is crushing* and treating the leaf to make basic paste. The paste is then transported to a section of Peru's Amazon region bordering Colombia where more sophisticated laboratories turn the paste into cocaine base.

One kilo of base, which produces one kilo of cocaine, sells for only \$5,000 to \$6,000, bringing the actual figure for drug transactions in Peru down to about \$1bn. However, that is *more than* one third of all Peru's legal exports this year.

An estimated \$500m to \$800m in drug money stays in Peru. While this pool of narcodollars fosters corruption, officials also privately acknowledge that it helps *alleviate the* Government's hard currency shortage.

Final cocaine processing takes place in Colombia, Ecuador, Venezuela, Brazil and even the US, all of whose authorities are trying to stem the white powder tide.

But Peruvians, who are loath for political reasons to crack down on the thousands of peasants who grow coca, have developed a strategy which concentrates on interrupting and destroying the early *stages of* processing.

Since "nothing is as profitable as coca," says Vice-Minister of Interior Agustin Mantilla, "we have to act so that the peasants have no one to sell it to." With a shrinking coca market, the Peruvians hope peasants, will switch to legitimate crops.

Colonel Juan Zarate, chief of Peru's drug police and commander of the crack Condor group, says *his efforts therefore* aim to hurt traffickers' business as much and as often as possible. This often means repeat missions.

In the latest operation, Condor IV which ran from August 6 to September 8 in the Amazon region, Col Zarate's men were blowing up some of the same airfields they had destroyed a year ago but which had since been repaired. "It's a continuous war," said the Colonel.

But it is not a well-financed one. Col Zarate and his Condor group of about 20 carefully selected and trained officers struggle along with only three helicopters, which are on loan from the Peruvian Air Force. The US Government pays for the helicopters' rental and fuel.

Peruvian officials do not disclose their budget for drug control, but they say Peru does not have the money to keep well-equipped men in the field for long periods of time.

US assistance for drug control programmes in Peru was only \$3.2m in 1986. US AID also spent more than \$5m this year on drug-related rural development programmes, such eradication and crop substitution. Vice *Minister* Mantilla, a tough streetwise man who packs two pistols and often accompanies Condor raids, is hoping for \$20m in US AID for 1987.

Mr Mellor has promised \$35,000 in spare parts for the Condor group's out of action Britten Norman Islander, a 10-seat aircraft used for transport. He also said that the UK would provide another aircraft of the same make, either new or used. A new one is worth \$450,000.

The Peruvians have repeatedly blamed the US, the world's largest cocaine market, for spurring the drugs trade. But now drug abuse has grown locally. In a public poll earlier this year, one out of every four people said he or she had friends or family who were drug users. Another study put the number of addicts at 200,000.

More than 70 per cent of these addicts are hooked on "pitillo," the highly addictive and dangerously toxic cigarettes made from either tobacco or marijuana and coca paste, which contains kerosene, gasolene, sulphuric acid and other chemicals. Pitillo smoking is soaring among young people in poor and working class neighbourhoods in Lima.

The moral taboo of coca is hardly acute in Peru, where *Indians, as they have done for* centuries, still chew the leaves to ward off cold and hunger. Coca tea is also widely used to alleviate the effects of altitude or a stomach ache.

The use of cocaine, on the *other hand, has always been* restricted to the well-heeled because of price. A young stockbroker said many of Lima's solidly middle class citizens use it to sober up for the drive home after a night's drinking.

What is unarguable is that narcotics trafficking has spawned widespread corruption. Here, where many public employees earn the equivalent of about \$100 a month, bribery comes cheap and easy.

In a moral compaign over the last year, President Garcia has sacked more than 2,500 police, but nabbing the top traffickers and their accomplices has proven more difficult.

He says that traffickers too easily escape from one country to another.

Barbara Durr